GROWING IN TANDEM WITH OUR CUSTOMERS

COMBINE WILL

ANNUAL REPORT 2012

Contents

COMBINE WILL - TRANSFORMING IDEAS INTO INNOVATION!

CORPORATE PROFILE

Combine Will International Holdings Limited ("Combine Will") is one of the leading Original Design Manufacturers ("ODM") / Original Equipment Manufacturers ("OEM") of corporate premiums, toys and consumer products in the People's Republic of China ("PRC") and Hong Kong. We are also one of the leading suppliers of plastic injection and die-casting moulds in Southern China, as well as a distributor of technologically-advanced machines and precision tools used for the manufacture of moulds, die-cast and automobile products.

Established in 1992 and listed on the Main Board of the Singapore Exchange Securities Trading Limited in 2008, we have since grown and expanded our capabilities to become a vertically integrated supplier of a wide variety of plastic and die-cast products. With our in-house research and design ("R&D") team, expertise in manufacturing, moulds and tooling, and machine sales, we are able to help meet the unique needs of our customers by offering highly customised, comprehensive business solutions including idea generation, product design, mould making and manufacturing. Our customers are from Asia, Europe and North America, including many well-known multinational companies covering a broad spectrum of industries from toys and consumer products to international fast-food chains.

Based in Dongguan, Guangdong Province, the PRC, we have a total staff strength of approximately 10,000, operating in six manufacturing facilities in Dongguan and Heyuan, Guangdong Province as well as our latest plant in Guangxi Province.

VISION

We aspire to be a world-class corporation which sets the standards in the manufacturing of plastic, die-cast and electronics products. We aim to be a leader and a key supplier of choice for our customers in providing quality ODM/ OEM services for corporate premiums, toys and consumer products as well as moulds and tooling and machine sales.

MISSION

- To provide the highest quality products and solutions to our customers through our total dedication to R&D, manufacturing technology, professional service and quality management
- To become a progressive organisation where we dedicate our resources to building excellence and achieving growth
- To become a good corporate citizen and contribute to the society and communities in which we operate
- To provide sustainable value and returns to all our stakeholders

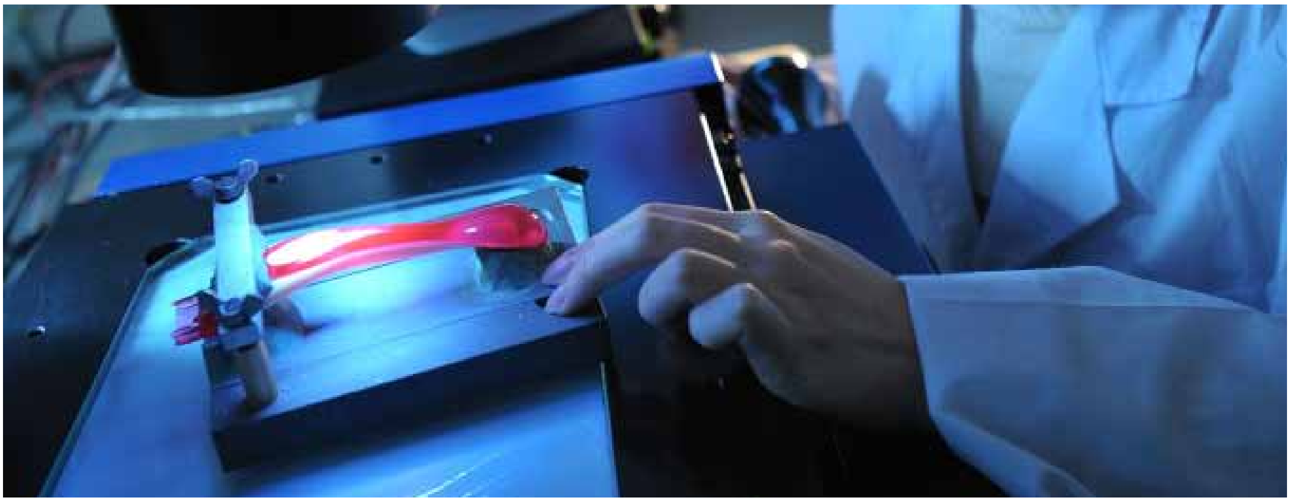
VALUES

INTEGRITY
We deliver our promises and lead by example

TEAMWORK
We respect diversities and work in unity

PROGRESSIVENESS
We pursue excellence in all we do

INNOVATION
We seek creativity and inspire breakthrough



BUSINESS MODEL

Combine Will's vertically integrated business model which encompasses a broad spectrum of services and capabilities in the design and supply of premium products, industrial plastic injection and die-cast moulds and machine sales, position us to be a unique one-stop solution provider that sets us apart from the competition.

ODM/OEM

We are a niche ODM/OEM of corporate premiums, toys and consumer products. Our ODM/OEM R&D team is fully integrated with our manufacturing and production team in order to ensure a one-stop, seamless development of our customers' products from inception to fruition.

Our R&D team is involved in the customers' projects right from conceptualisation to the production and supply of products and solutions. Whether it is an innovative idea from a customer or one that is initiated by us, our R&D team is involved in various aspects of the development process such as advising on the appropriate materials to be utilised and the functional capabilities and manufacturability of the products. Our commitment to employ new processing methods in integrating aesthetics, form and moulding has helped customers to conceptualise and launch novel product lines. Where required, we will set up a specific testing centre for the evaluation of customers' product which has, in the past, resulted in quick turnaround and shorter time to market.

We utilise innovative processing methods and applications of unique technologies such as gas-assisted injection moulding and we have, in the past, developed a new unique technology by adapting a process used in another industry for use in our production process so that our customers can benefit from greater cost savings and enhance their competitiveness.

MOULDS AND TOOLING

We are one of the leading suppliers of plastic injection and die-casting moulds in Southern China. In addition to the production of moulds and tooling for our ODM/OEM products, we produce moulds and tooling such as production fixtures for the automobile and consumer and household products industries. Our latest technologies and state-of-the-art equipment and software, such as the high-speed CNC machines, five-axis CNC machines and precision EDMs help shorten the production lead time and provide a strong and reliable quality output on our moulds and tooling for our customers.

MACHINE SALES

We distribute, install and provide after-sales services for advanced machines and precision tools for our customers who are in the manufacturing of mould and die-cast products and automobile parts. These include metal-cutting machines, precision measuring instruments and cutting tools, together with the required operating software, which are aimed at providing a total solution for our customers. We represent equipment manufacturers from Japan, the USA, Germany, the United Kingdom, Taiwan and Italy, whose products are recognised for their consistency, quality, accuracy and flexibility in the manufacturing process.

ADAPTING TO **CHANGE**

understanding the needs of our customers
and working together in harmony

CHAIRMAN'S MESSAGE

Despite the challenges, there are opportunities which the Group can leverage on for growth.

Dear Shareholders,

2012 was a challenging year for businesses, with uncertain economic conditions in Europe, the United States' sluggish recovery and a slowdown in China's economy. Combine Will International Holdings Limited ("Combine Will" or "the Group"), as a result of exposure to these markets, experienced a decrease in its topline for the financial year ended 31 December 2012 ("FY2012"), against this economic backdrop. Nevertheless, through our commitment to fulfilling our customers' expectations by our continued focus on investments in automation, innovation in our business operations and manufacturing processes, emphasis on maintaining strong customer relationships and commitment to research into new concepts and innovative solutions to meet changing market needs, our Group has stayed profitable. The Board of Directors and I are, therefore, pleased to present to you this Annual Report and Audited Financial Statements of our Group for FY2012.

FINANCIAL REVIEW

Group revenue was lower at HK$1,526.6 million for FY2012, a decrease of 14.2% from HK$1,778.2 million in the financial year ended 31 December 2011 ("FY2011"). The decrease in revenue was a result of lower sales in all three business segments. Pre-tax profit fell by 22.9% to HK$53.2 million in FY2012 from HK$68.9 million in the previous financial year on the back of inflationary conditions, price pressures from customers and wage increases. Our profit after tax of HK$34.5 million was a 31.1% decrease from profit after tax of HK$50.1 million in FY2011. Our balance sheet remains healthy with improved net assets value per share of 1,927.10 HK cents for FY2012 (FY2011: 1,786.57 HK cents) and positive bank and cash balances of HK$54.8 million. Earnings per share ("EPS") for FY2012 was 113.13 HK cents per ordinary share as compared to EPS of 123.66 HK cents per ordinary share for FY2011.

REVIEW OF OPERATIONS

ODM/OEM

Our ODM/OEM sales held constant at HK$1,171.6 million in FY2012. The segment accounted for 76.7% of total Group revenue. The performance of the ODM/OEM segment is heavily dependent on global consumer spending. Despite the subdued economic conditions during the past year which dampened consumer demand, we were successful in retaining orders from our customers and adding new ones. Although we were once again impacted by higher wages and material costs, our relentless efforts at improving productivity and reducing reliance on labour through automation, adoption of new technology to enhance the functional capability of our products and our strong customer relationship, enabled us to preserve our gross margin with revenue remaining relatively unchanged for the segment. We expect ODM/OEM segment to continue to be the main income generator in the coming year. We anticipate that our customers' product range will be broadened which, in turn, will result in moderate, sustainable growth for this sector. We have achieved high rankings from our major customers in terms of quality, delivery and product development which augur well for future repeat business from them. We are investing more in infrastructure for this segment, such as chemical laboratory facilities for the analysis of hazardous elements to cater to the more stringent safety standards in the toy industry. We also reengineered our business and manufacturing processes to improve production efficiency and customer satisfaction including logistical improvements like utilising bar coding for inhouse inventory control and installing an instant remote alert system in our production process. In our efforts at continuous improvement in product designs and manufacturing processes, we have successfully been granted several patents which have the potential to increase our competitiveness in this sector. We will continue to strengthen our relationship with our customers and consistently deliver to their expectations. We will continue our focus on constantly engaging our customers in product design and development, so as to offer high value-added and one-stop solutions for them. We are confident that our continuous investment in research and development and improvement in engineering capability will enable us to maintain our value-add to customers, thus enhancing our existing customer relationships while securing new ones.

MOULDS AND TOOLING

Moulds and Tooling experienced a sluggish year. With rising price pressures and reduced orders arising from weak economic conditions faced by our customers in this segment, revenue decreased by 37.8% in FY2012, contributing 10.9% to total Group revenue. Our strategy for this segment for the coming year remains unchanged. We will continue to seek ways to minimise costs including consolidating, streamlining and restructuring operations within this segment to phase out less profitable business units as we reorganise our assets and resources across the Group in a manner which will bring about the greatest returns. We will continue to look at automating processes and increased productivity where possible.

MACHINE SALES

Machine Sales was impacted by the slowdown in orders from manufacturing customers in China, faced with uncertainty over China's economic growth. Sales were subdued with revenue decreasing by 40.5% in FY2012, and accounted for 12.4% of total Group revenue in FY2012 (FY2011: 17.8%). With economic uncertainties still very much at the forefront in the near horizon and continued weak global demand and rising labour costs, Chinese manufacturers will continue to see margin pressures which may result in lower capital expenditure thus affecting demand for our products in this segment. We will, therefore, increase our marketing efforts to secure new customers and widen our revenue base while enhancing our value-added services including after-sales care. Faced with price pressures ourselves, we will need to continue our consolidation efforts to manage costs while maintaining efficiency.

PROSPECTS AND STRATEGIC INITIATIVES

While the outlook for FY2013 remains cloudy, business sentiments have improved with progress made in resolving the Eurozone debt crisis and the latest US economic data reflecting encouraging growth. Notwithstanding this, Combine Will has to come to terms with increasing wages, rising inflation and a strong currency amidst China's economy growing at a slower pace, factors which may weigh down the Group's competitiveness.

Despite the challenges, there are opportunities which the Group can leverage on for growth. With increasingly stringent international safety standards being imposed on toy manufacturers and the pressure to upgrade toy manufacturing and comply with these standards, a consolidation within the industry is a likely scenario. This will give the Group's ODM/OEM segment the opportunity to strengthen our market position and increase market share. A new factory in Guangxi is being constructed to leverage on the availability of labour there which will facilitate recruitment of workers and address the issue of seasonal shortage of labour. To enable our ODM/OEM segment to continue to fulfill and even exceed our customers' requirements, we will continue to focus on investments into automation and research and development into new concepts, solutions and processes as well as upgrade existing capabilities and infrastructure to help stabilise production costs. Our Machine Sales segment, in turn, may be able to leverage on opportunities afforded it by further investment in automation by manufacturers in China to lower manpower costs. Sentiments in the Moulds and Tooling segment are anticipated to remain weak and our strategy of cost management through rationalisation and restructuring will be carried out systematically. We will remain open to growth opportunities into new markets and industries as and when the opportunity arises.

We have identified human capital development as one of our key areas of focus. Programmes for upgrading of technical, operational and managerial skills have been offered by our Combine Will Academy including 6 Sigma and International Trainer. They are aimed at providing opportunities for career development and advancement for staff within the organisation and to increase performance levels across all areas of our business. These will continue in the coming years as we seek to build a highly skilled and effective workforce which is integral to the success of our business.

Our focus on measures taken to reduce environment pollution has been recognised by the grant of several energy saving awards from different organisations.

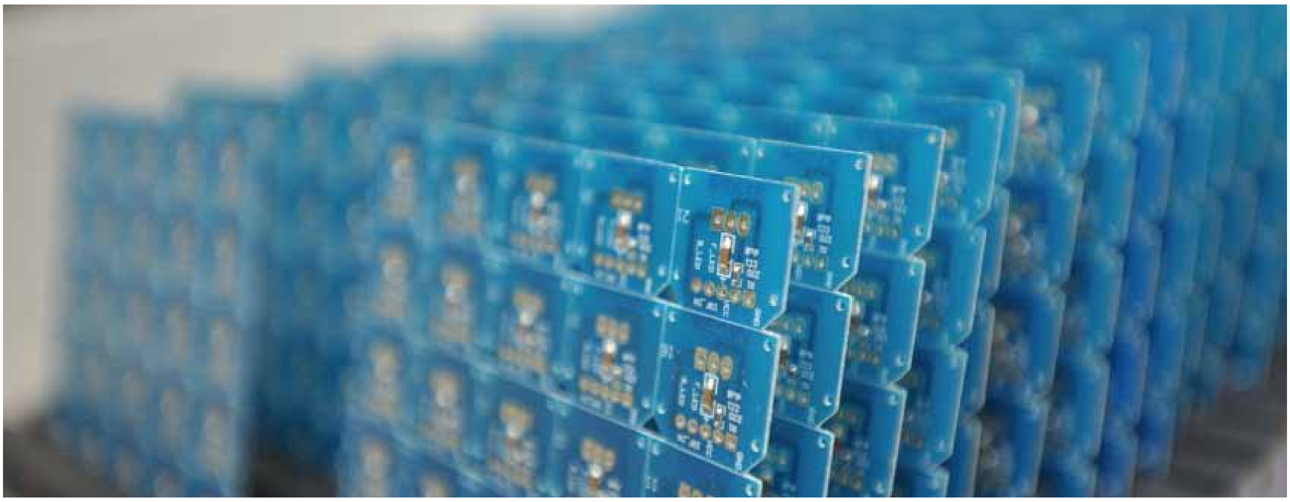
At the heart of our success is our customer-centric approach and we will continue to put our customers' needs at the centre of our operations, our infrastructure design and engineering processes.

ACKNOWLEDGEMENT

Our strategy of continued emphasis on greater automation and infrastructure, improvements in business process and continued research and development into the design of new products necessitates a conservative approach to our cash management. The Board has decided not to declare dividends for FY2012 in light of the aforementioned reasons.

It leaves me now to record my most heartfelt appreciation to the management team and staff for their dedication and hard work over the year. I would also like to express our gratitude to our shareholders, dealers and suppliers, business associates, financial institutions and the regulatory authorities for their trust and support of the Group. To my fellow Board of Directors, thank you for your valuable contributions to our Group.

Dominic Tam
Executive Chairman and Chief Executive Officer
Combine Will International Holdings Limited



OPERATIONAL REVIEW

SEGMENTAL OVERVIEW

REVENUE

Our Group revenue for the financial year ended 31 December 2012 ("FY2012") decreased by 14.2% to HK$1,526.6 million over the same period last year mainly attributed to weak consumer spending resulting from the uncertain economic conditions and fiscal tightening in Europe, a sluggish United States' recovery and a slowdown in China's economy. Although Group gross profit fell by 18.3% year-on-year to HK$179.6 million, gross profit margin for FY2012 at 11.8% was at a level close to that of 12.4% achieved in the financial year ended 31 December 2011 ("FY2011") due to higher productivity through automation, better production planning and efficient technical design.

ODM/OEM

Revenue for ODM/OEM remained relatively stable at HK$1,171.6 million in FY2012, compared to HK$1,193.6 million in FY2011. With lower sales from the other segments, revenue derived from ODM/OEM sales accounted for an increased 76.7% of Group revenue compared to 67.1% contribution in FY2011. Increasing wages in China which contributed to higher direct labour costs, inflationary conditions which impacted raw material costs, competitive pricing and the strong Renminbi vis-à-vis the US dollar, weighed down on gross profits. Group profit attributable to this segment decreased by 16.5% to HK$128.2 million in FY2012, representing 71.4% of our Group's total gross profit.

Recognising that this segment would remain the main revenue generator for our Group, we continued to invest in equipment as well as in research and development ("R&D") in 2012 to enhance its manufacturing capability. We installed automatic spraying booths and other automation fixtures for decoration processes as well as additional new injection moulding machines for our plant in Guangxi. We also broadened our scope of manufacturing processes and invested in additional equipment for our QA ("Quality Assurance") chemical laboratory for better monitoring of hazardous elements. Internally, we improved processes for more efficient operations which included implementing a bar coding system to monitor the material flow among different departments and setting up an internal instant alert system via SMS in the production process to enable interruptions to be addressed promptly. As a responsible corporate citizen, we took concrete measures to reduce environmental pollution and for our efforts, we were accorded recognition by different organisations for our energy saving programmes.

In FY2013, we expect our existing customers to broaden their product range which will open up business opportunities for our Group. We are optimistic our efforts at improving productivity and reducing reliance on labour through automation, adoption of new technology to improve the functional capability of our products as well as our strong customer relationship, will enable us to achieve moderate growth for this business segment, barring any unforeseen circumstances.

MOULDS AND TOOLING

Our Moulds and Tooling segment had a subdued year, faced with a slowdown in consumer orders arising from the weak global economic climate, which in turn led to weaker demand for our products. The segment also had to contend with the continued intense competition from lower costs producers in China. Consequently, sales decreased by 37.8% to HK$166.2 million in FY2012, contributing 10.9% to Group revenue. Group profit attributable to this segment decreased by 77.3% to HK$10.7 million in FY2012, representing 5.9% of our Group's total gross profit.

Although there was no major investment in equipment or technology in FY2012, we automated certain processes in mould fabrication and management, in keeping with our Group's initiative to reduce reliance on manual labour. We were granted patents for special mould construction with undercut and cutting tool inspection technology.

The Moulds and Tooling business is closely aligned to and determined by the external economic conditions. Given the uncertain outlook for FY2013, our Group will expend further efforts at consolidating, streamlining and restructuring operations within this segment to phase out less profitable business units in order to reduce costs, increase efficiencies and raise the competitiveness of the segment.

MACHINE SALES

Machine Sales registered a decrease of 40.5% in revenue to HK$188.8 million and contributed 12.4% to our Group revenue. The segment was impacted by the slowdown in orders from our manufacturing customers in China which grappled with the uncertainty in global economic conditions and the slowdown in China's economic growth. On the back of lower sales from this segment, Group profit attributable to this segment decreased by 35.3% to HK$40.7 million in FY2012, representing 22.7% of our Group's total gross profit.

In the coming financial year, as with the other segments, our Group anticipates this segment to continue to face challenges as price pressures on Chinese manufacturers will affect their capacity to invest in machinery and equipment. We, therefore, intend to intensify our marketing activities so as to increase our customer and revenue base. We will also seek to find more value-added services which can enhance our revenue stream. Cost management and productivity measures will remain the mainstay of our operational initiatives as our Group seeks to improve the performance of this segment.

CORPORATE DEVELOPMENTS AND CORPORATE SOCIAL RESPONSIBILITY

Striving for Excellence in All Areas

Our Group had set up a Group Corporate Social Responsibility Division (part of the Group Human Resources Division) and a Factory Corporate Social Responsibility Division to oversee and implement our corporate social responsibility programmes. In FY2012, there were 28 members serving on these divisions.

To ensure compliance with the most stringent industry standards, the Group conducted 53 internal audits covering areas such as working conditions, safety practices, environmental issues and security implementation.

The Combine Will Academy was established to enhance our human resource management. In FY2012, over 22 training classes covering courses and workshops such as "The 8th Habit of Effective Management Workshop", "Effective EQ and Stress Management Workshop", "Risk Management Training", "Dynamic Leadership and Team Building Workshop" and "Train-the trainers Workshop", were offered. Close to 5,000 hours were devoted to training with more than 400 participants.

Corporate Citizenship

In pursuance of our mission to become a model corporate citizen that sets standards in the manufacturing of plastic, die casting and electronic products operating with a social responsibility, the following are some of the awards that our Group garnered in FY2012 in recognition of our work carried out in this area:

Award	Organisation
Caring Company (since 2010)	The Hong Kong Council of Social Service
Hong Kong Green Mark Certification Scheme	Hong Kong Q-Mark Council Federation of Hong Kong Industries
Green Medal and 3 years + entrant Award in FHKI One Factory-One Year–One Environment Project Programme	Federation of Hong Kong Industries "FHKI"
Certificate of Joint Validation by General Administration of China Customs and U. S. Customs and Border Protection	China-United States Joint Validation Team

THE CARING COMPANY

Combine Will has been part of the Caring Company Scheme which is administered by the Hong Kong Council of Social Service. The movement seeks to bring organisations together to provide help and relief for the disadvantaged and to build a community spirit within society. As a Caring Company, Combine Will has initiated outreach programmes focused on improving the welfare of disadvantaged children, young people and the elderly, with our employees being actively involved in these programmes. In 2012, over 300 employees participated in volunteer services, including visiting disabled students and the elderly, undertaking tree planting and repairing school buildings. Approximately 1,224 hours were spent on our outreach initiatives which have succeeded in fostering a culture of caring for the community within our Group.

On a corporate level, the Group made available its resources through a systematic and planned approach to provide educational and skills training and donations to the community. The Group contributed to the Hong Kong Vocational Training Council's scholarship, McDonald's House of Charity, He Yuan Disabled Student School and Shaoguan Fengwan Secondary School.

BUILDING **TRUST**

delivering quality products consistently and
seeing satisfied customers returning

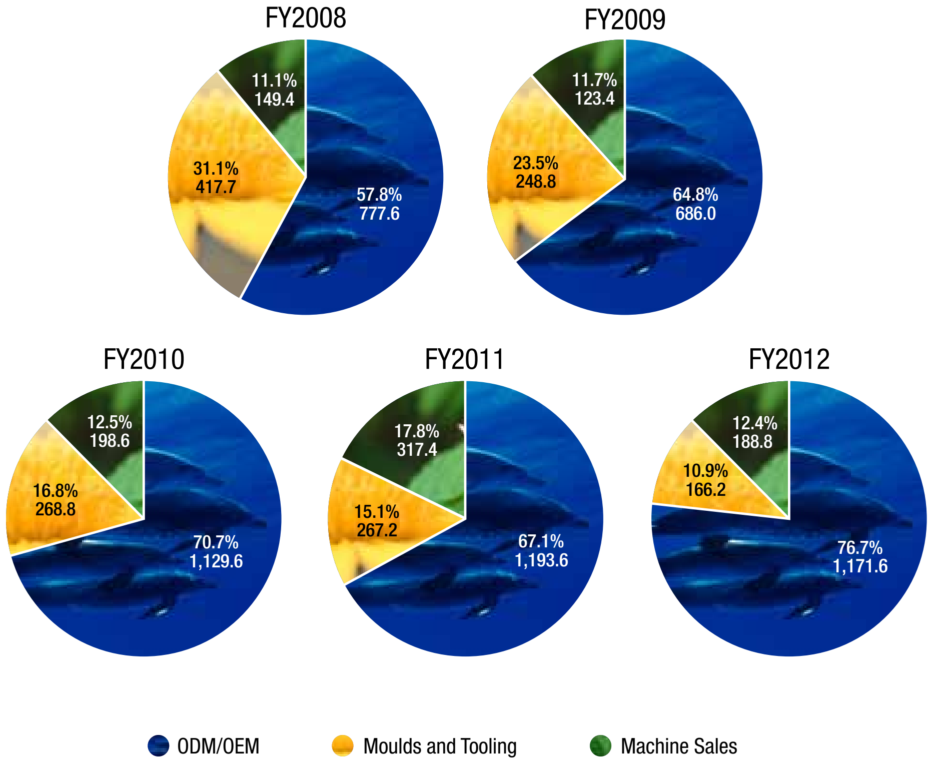
FINANCIAL HIGHLIGHTS

For the year (HK$'mil)	FY2008	FY2009	FY2010	FY2011	FY2012
Revenue	1,344.7	1,058.2	1,597.0	1,778.2	1,526.6
Gross Profit	215.7	165.9	274.7	219.9	179.6
Profit before tax	84.3	61.1	135.6	68.9	53.2
Profit attributable to shareholders	72.9	45.2	103.8	40.6	37.1
Basic EPS (HK cents)	25.46	13.78	31.65	123.7[1]	113.1

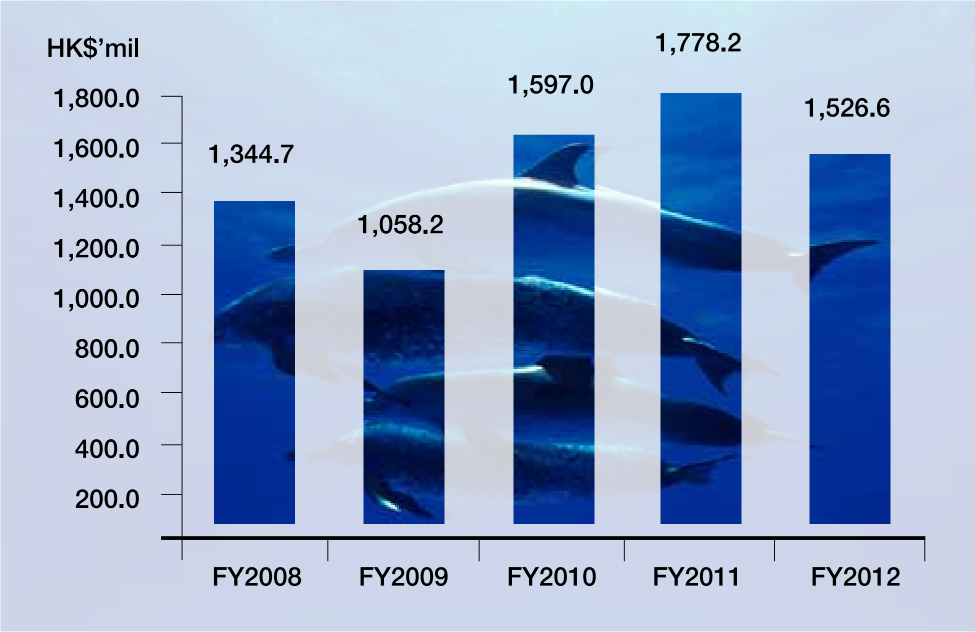
[1] Adjusted for the share consolidation exercise completion in April 2011, pursuant to which every 10 existing shares were consolidated into one share

As at 31 December (HK$'mil)	FY2008	FY2009	FY2010	FY2011	FY2012
Total Assets	826.3	1,047.3	1,591.5	1,765.9	1,365.1
Total Liabilities	394.4	578.2	1,025.5	1,155.8	715.1
Total Equity	431.9	468.8	566.0	610.1	650.0
Net cash generated from/(used in) operating activities	94.2	(34.1)	(34.9)	67.6	(16.3)
Cash and cash equivalents	105.8	179.1	160.0	106.8	54.8

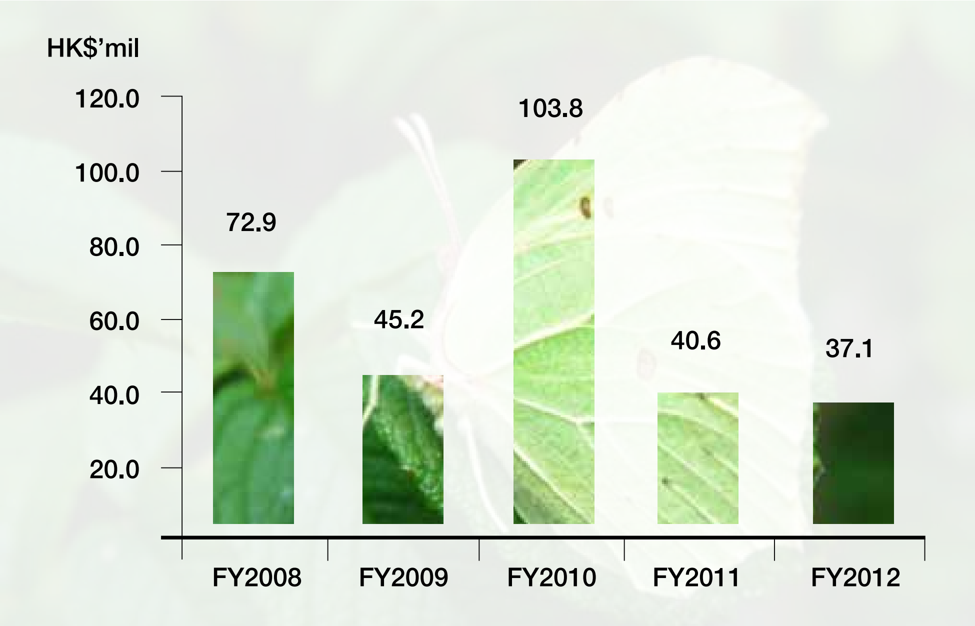
REVENUE BY SEGMENTS (HK$'MIL)



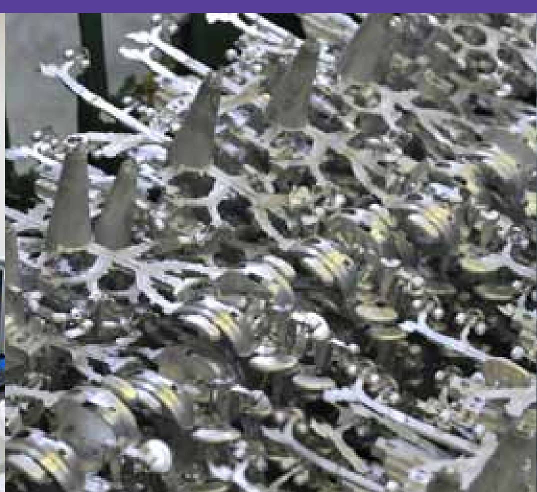
REVENUE



PROFIT ATTRIBUTABLE TO SHAREHOLDERS








WINNING **PARTNERSHIP**

establishing a long term win-win relationship with our customers is key to our success and growth

BOARD OF DIRECTORS

TAM JO TAK, DOMINIC
Executive Chairman and Chief Executive Officer

Mr Tam Jo Tak, Dominic is the co-founder, Executive Chairman and Chief Executive Officer of our Group. He was appointed to our Board on 27 December 2007. Since the inception of the Group in 1992, he has overseen all business and management activities of the Group and is responsible for setting business directions and goals, exploring new business opportunities and the overall customer relationships of the Group.

Mr Tam has more than 25 years of experience in toy product development and the manufacturing industry. Prior to setting up our Group, he was a product development director at Zindart Industrial Co., Ltd from 1989 to 1991. He held senior positions in many US companies in Hong Kong from 1982 to 1988 in the areas of production planning, quality control and engineering. Companies he has served in, include Galco International Toys, LJN Toys, ERTL (HK) Ltd, Ideal Toys and Hong Kong Industrial Co., Ltd. He was also a visiting lecturer of the Hong Kong Polytechnic from 1980 to 1983. Mr Tam was the Chairman of the Hong Kong Diecasting Association in 2000 and 2001 and has been the Honorary Chairman thereafter. He has been a committee member of The Toys Manufacturer's Association of Hong Kong from 2002 up to now.

Mr Tam graduated with an Honours Bachelor of Science degree in Production Engineering and Management from the Loughborough University in the UK in 1980.

YAU HING WAH, JOHN
Executive Director

Mr Yau Hing Wah, John is the co-founder and Executive Director of our Group and is responsible for the operations of our ODM/OEM business segment. He was appointed to our Board on 27 December 2007 and has been with the Group since its inception in 1992.

Mr Yau has more than 20 years of experience in the toys industry. Between 1983 and 1991, Mr Yau was a director at Wah Shing Toys Co., Ltd and was responsible for the production and operations of the company for approximately ten years. Prior to that, he served as an apprenticeship inspector at the Labour Department (HK government). From 1981 to 1983, he joined Kingsway Toys Co., Ltd. for two years as a factory manager. From 1979 to 1981, he was also a factory manager of Marx Toys Co., Ltd. and was responsible for the factory operations of the company.

Mr Yau graduated with a Higher Certificate in Production and Industrial Engineering from the Hong Kong Polytechnic, majoring in Production Engineering in 1981.

CHIU HAU SHUN, SIMON
Executive Director

Mr Chiu Hau Shun, Simon is an Executive Director of our Group and prior to 1 October 2006, he was responsible for the finance and accounts of the Group. He was appointed to our Board on 8 October 2007 and has been with our Group since 2000.

He is currently principally engaged in Human Resources, Administration and Corporate Affairs for our Group. He is also a director of Simon Chiu and Associates Limited, a PRC consultancy business which he founded in 1997. Prior to setting up his own business, he was the chief financial officer of various companies, such as Hua Yang Industrial Co., Ltd., Waly Decoration Company Limited, DMC Hong Kong Limited and G.J.M. Hong Kong Ltd. He was also an assistant general manager of Sumida (HK) Limited from 1991 to 1993. He started his career as an accountant at Arthur Andersen & Co. where he practised for close to eight years.

Mr Chiu received his education from the Indiana University School of Business, USA.

CHEUNG HOK FUNG, ALEXANDER
Lead Independent Non-Executive Director

Mr Cheung Hok Fung Alexander is our Independent Non-Executive Director and was appointed to our Board on 28 March 2008.

Mr Cheung is currently a barrister practising in Hong Kong. He has over 20 years of experience in corporate governance, accounting and auditing, tax planning and compliance as well as legal practice. He started his accountancy career in the tax department of Ernst & Young, Hong Kong. He subsequently moved over to Coopers & Lybrand, Singapore before leaving the firm in 1992 as a Senior Tax Associate. He then joined M. C. Packaging (Hong Kong) Limited, the then largest metal and plastic food and beverage packaging group in Asia, responsible for the negotiation, setting-up and control of sino-foreign joint-venture subsidiaries as well as compliance with the Listing Rules of the Hong Kong Stock Exchange. He left the group to start his public accounting and financial advisory practice in 1994. He switched to law in 2006.

Mr Cheung is a Certified Public Accountant in Hong Kong, a Chartered Accountant of New Zealand and a fellow member of the Chartered Association of Certified Accountants of the United Kingdom. He holds a Professional Diploma in Company Secretaryship and Administration from the Hong Kong Polytechnic, a Master and a Bachelor degree of Laws from the University of New England, Australia.

CHIA SENG HEE, JACK
Independent Non-Executive Director

Mr Chia Seng Hee, Jack is our Independent Non-Executive Director and was appointed to our Board on 28 March 2008.

Mr Chia currently runs his own investment advisory firm, Jack Capital Solutions Pte Ltd, which he set up in June 2005, after spending twenty years in both the private and public sectors, substantially in Japan and China.

Mr Chia was Senior Director, International Enterprise Singapore (the former Trade Development Board) covering China operations from Shanghai. He was also with Singapore Technologies, Government of Singapore Investment Corporation as well as Arthur Andersen in marketing, asset management and consulting capacities respectively.

Mr Chia graduated from the National University of Singapore with a degree in Accountancy and from the International University of Japan with a Master of Arts in International Relations. He is qualified as a Certified Public Accountant. He also completed the General Manager Program at Harvard Business School.

NING LI
Independent Non-Executive Director

Mr Ning Li is our Independent Non-Executive Director and was appointed to our Board on 8 May 2009.

Mr Ning started out his career as a lawyer in Beijing Chaoyang Law Firm from 1985 to 1993, before moving on to establish his own practice, Beijing Tianda Law Firm in 1993. His main areas of practice encompassed restructuring, mergers and acquisitions of private limited companies, initial public offerings as well as real estate, and has represented listed companies such as Hubei Qianjiang Pharmaceutical Co., Ltd., Songliao Automobile Co., Ltd., Cangzhou Chemistry Industry., Ltd. and over 50 real estate projects in Beijing. Since 2002, Mr Ning has been engaged in various businesses based in the PRC and is currently the Chairman of several Boards, namely, Jade Group (China) Ltd. which primarily provides immigration services; Vanguard Express Co., Ltd, a company that provides finance services; and Beijing Liantuo Environment and Energy Resources Investment Co., Ltd, which invests in the environment and energy resources field. In addition, he is also an Executive Director of China Art International Travel Agency.

He graduated with a Bachelor of Law degree from the University of Political Science and Law, PRC, and a Master of Law from the University of International Business and Economics, PRC.

EXECUTIVE MANAGEMENT

ZHENG NAIQIAO, KOULMAN
Director, Head of Moulds and Tooling Business Unit

Mr Zheng Naiqiao, Koulman is our Director, Head of Moulds and Tooling Business Unit and is responsible for the market and technological development, operations and quality control of our Moulds and Tooling Business Unit.

Prior to joining our Group in 1999, Mr Zheng was a manager of the overseas vendor operations of Liberty Classics Inc for approximately seven years. Prior to that, he was a production and operations manager at Dyna Mechtronics Inc. and was responsible for the production of the CNC machining centres and manufacturing systems of the company. From 1978 to 1982, he was an engineer at the factory of Specialised Production Equipment in Guangzhou, PRC.

Mr Zheng graduated with a Master of Science in Mechanical Engineering from the Northeastern University in Boston Massachusetts, USA.

LI HIN LUN, ALAN
General Manager, Head of Sales and Marketing, ODM/OEM Business Unit

Mr Li Hin Lun, Alan has been the General Manager, Head of Sales and Marketing, ODM/OEM Business Unit since 1994 and is responsible for the operations, administration and shipping department in our Group's Hong Kong office for the ODM/OEM Business Unit.

Prior to joining our Group, Mr Li had close to seven years of experience working in the die-cast and plastic toy manufacturing industry, having been at Paka Toys from 1991 to 1994 as a senior engineer and a design engineer in Kader Industrial Co., Ltd. from 1989 to 1991. He was also a project engineer at Forwind Windsome Co., Ltd. from 1987 to 1989 and engaged in project development of toys from design to manufacturing.

Mr Li graduated with a higher diploma in Production and Industrial Engineering from the Hong Kong Polytechnic in 1987.

QIU GUO LIAN, DAVID
General Manager, Head of Operations, ODM/OEM Business Unit

Mr Qiu Guo Lian, David has been the General Manager, Head of Operations of our ODM/OEM Business Unit since 1992 and has been responsible for the plant operations of our ODM/OEM Business Unit.

Prior to joining our Group, he was a senior supervisor at Wah Shing Toys Co., Ltd. for four years and was involved in production planning and material control.

Mr Qiu graduated with a college diploma in Education in English from the Huizhou Educational College in 1987.

HUNG KAM TIM, SAMUEL
General Manager, Head of Machine Sales Business Unit

Mr Hung Kam Tim, Samuel has been the General Manager, Head of Machine Sales Business Unit since 2000 and is responsible for the management and operational activities of the Group in relation to our Machine Sales business segment.

Prior to joining our Group, he was a regional sales manager at Leeport Machine Tools Co., Ltd and was involved in the sales and marketing, strategic planning and operational activities of the company for approximately eight years.

Mr Hung graduated with a Bachelor of Engineering (Manufacturing) with first class honours and a Master of Arts degree in Quantitive Analysis for business from the City University of Hong Kong in 1992 and 1996, respectively.

TSANG HUNG LEUNG, ALAN
Chief Financial Officer

Mr Tsang Hung Leung, Alan has been the Chief Financial Officer of our Group since November 2006 and is involved in financial reporting and treasury management.

Prior to joining our Group, Mr Tsang had worked at China Resources Enterprise Limited from 2001 to 2006 and was responsible for the internal audit and supervisory work for the operations of Ng Fung Hong and CR Vanguard. He was also a financial controller at Hong Kong Netcom Limited from 2000 to 2001. Between 1993 to 2000, he was an audit manager at Fok Siu Yung CPA for two years and a senior auditor, responsible for financial audits and computer risk management at Arthur Anderson & Co. for five years. While at Arthur Anderson & Co., he was involved in several listing exercises which involved the application of International Accounting Standard (the predecessor of IFRS).

Mr Tsang graduated with an Accounting degree from the City University of Hong Kong in 1993 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

MIU KA KEUNG, KEVIN
Chief Supervisory Officer

Mr Miu Ka Keung, Kevin has been the Chief Supervisory Officer of our Group since October 2010 and is responsible for supervising and overseeing the group compliance matters related to the law of Korea.

Mr. Miu is also a director of Vinco Financial Group Limited and is mainly responsible for corporate and business development for our Group and also overseeing our Group's compliance matters. Mr Miu is registered with the Securities and Futures Commission (SFC) of Hong Kong as a Responsible Officer to supervise the regulated activities of Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance).

Mr Miu entered the financial services industry in the early 1990s and has gained extensive experience and knowledge in corporate finance, equity capital market, private equity investment, debt and structured finance, listed company compliance and internal control. He is currently a non-executive director of LED International Holdings Limited, a company listed on the Alternative Investment Market of the London Stock Exchange, and he is also the Chairman of its audit committee and a member its remuneration committee.

Mr Miu holds a Bachelor's degree in Accounting awarded by The Hong Kong Polytechnic University and a Master in Business Administration awarded jointly by the University of Wales and the University of Manchester.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tam Jo Tak, Dominic
Executive Chairman and
Chief Executive Officer
Yau Hing Wah, John
Executive Director
Chiu Hau Shun, Simon
Executive Director
Cheung Hok Fung, Alexander
Lead Independent
Non-Executive Director
Chia Seng Hee, Jack
Independent Non-Executive Director
Ning Li
Independent Non-Executive Director

AUDIT COMMITTEE

Cheung Hok Fung, Alexander (Chairman)
Chia Seng Hee, Jack
Ning Li

NOMINATING COMMITTEE

Chia Seng Hee, Jack (Chairman)
Cheung Hok Fung, Alexander
Ning Li

REMUNERATION COMMITTEE

Chia Seng Hee, Jack (Chairman)
Cheung Hok Fung, Alexander
Ning Li

COMPANY SECRETARY

Tsang Hung Leung, Alan, CPA
Ng Joo Khin, LLB (Hons)

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Combine Will (Dongguan) Industrial Co., Ltd.
Xin Cheng District, Heng Li Zhen
Dongguan
Guangdong Province
The PRC

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

RSM Nelson Wheeler
Certified Public Accountants, Hong Kong
29/F, Caroline Centre, Lee Gardens Two
28 Yun Ping Road
Hong Kong

Partner-in-charge:
Mr Wong Poh Weng, CPA
(With effect from FY2011)

JOINT AUDITORS

RSM Chio Lim LLP
8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095

Partner-in-charge:
Mr Ng Thiam Soon
(With effect from FY2012)

PRINCIPAL BANKERS

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Standard Chartered Bank
Hong Kong Limited
13th Floor Standard Chartered Building
4-4A Des Voeux Road Central
Hong Kong

The Hongkong and Shanghai
Banking Corporation Limited
10/F, HSBC Main Building
1 Queen's Road, Central
Hong Kong

Industrial and Commercial Bank
of China Limited
34/F, ICBC Tower
3 Garden Road, Central
Hong Kong

Financial Contents

CORPORATE GOVERNANCE REPORT

The Directors and Management of Combine Will International Holdings Limited are committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code of Corporate Governance 2005 (the "**Code**"), which was revised in May 2012, issued by the Singapore Corporate Governance Committee and the relevant sections of the Listing Manual (the "**Listing Manual**") issued by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

Pursuant to the aforesaid revision, the Monetary Authority of Singapore had issued a revised Code on 2 May 2012, which supersedes and replaces the Code that was issued in July 2005. The provisions of the 2012 Code are only applicable to annual reports relating to financial years commencing from 1 November 2012 (save for certain provisions which should be made at annual general meetings following the end of financial years commencing on or after 1 May 2016). Notwithstanding the fact that the 2012 Code was not applicable to the Company for the current financial year ended 31 December 2012, to which this Annual Report relates, the Company has endeavoured to ensure compliance with the revised 2012 Code insofar as it has been practicable and as described herein.

The corporate governance practices of the Company for the financial year ended 31 December 2012 are described herein under the following sections:

I Board Matters
II Remuneration Matters
III Accountability and Audit
IV Communication with Shareholders
V Dealings in Securities
VI Material Contracts
VII Risk Management
VIII Interested Person Transactions
IX Use of Proceeds Raised from the Initial Public Offering of the Company

I. BOARD MATTERS
(Principles 1, 2, 3, 4, 5 and 6 of the Code)

Board's Conduct of its Affairs

The Board of Directors of the Company (the "**Board**") is responsible for supervising the management and affairs of the Company. In providing stewardship for the Company, the Board also endeavours to enhance and protect long-term returns and value for its shareholders. The Board's primary duty is to ensure that the Company is managed in the best interests of shareholders as a whole, while taking into account the interests of other stakeholders, and at the same time not losing track of its viability.

There is a clear division of responsibilities in the top management with clearly defined lines of responsibility between the Board and executive functions of the management of the Company's business. The Board is assisted by experienced and qualified executive officers of the Company.

Broadly, the responsibilities of the Board include but are not limited to the following:

- reviewing and approving overall business strategies developed and recommended by the Management;
- ensuring that decisions and investments are consistent with long-term strategic goals;
- ensuring the Company is operated to preserve its financial integrity and its operations are in accordance with policies approved by the Board;
- providing oversight in ensuring that the Company's activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- overseeing, through the Audit Committee (the "AC"), the quality and integrity of the Company's accounting and financial reporting systems, disclosure controls and procedures, internal controls and risk management systems;
- reviewing transactions entailing any material acquisitions or disposals of assets; and
- assuming overall responsibility for corporate governance.

Pursuant to the revised Code, the Company intends to put in place a set of guidelines and clear directions to Management on matters reserved for the Board's decision and approval, and such matters are set out as follows:

- matters involving a conflict of interest for a substantial shareholder or a director;
- annual capital expenditure budget or any unbudgeted capital expenditure exceeding a fixed amount to be approved by the Board;
- corporate governance policies;
- new or additional investments exceeding a fixed amount to be approved by the Board;
- disposal of assets or investments with net book value or fair value exceeding a fixed amount to be approved by the Board;
- pledging of assets or investments with a net book value exceeding a fixed amount to be approved by the Board for financing purposes;
- increase or decrease in any subsidiary's capital of more than a fixed amount to be approved by the Board; and
- provision of corporate guarantees or letters of comfort.

Board Composition and Guidance

Presently, the Board consists of six members, comprising three independent non-executive Directors and three executive Directors. The Nominating Committee (the "**NC**") assesses the independence of each Director, taking into account the guidance in the Code for assessing independence. On this basis, Mr. Cheung Hok Fung, Alexander, Mr. Chia Seng Hee, Jack and Mr. Ning Li are independent Directors. A brief profile of each Director is presented in the Profile of Board of Directors section of this Annual Report and their shareholdings in the Company and its subsidiaries as at 31 December 2012 are disclosed in the Directors' Report for the financial year ended 31 December 2012.

There is a good balance between the executive and non-executive directors. There is also a strong and independent element on the Board. Nevertheless, given the scale of the Company and the complexity of the business, the size of the Board will be reviewed from time to time to ensure that it can provide the optimum balance to facilitate effective decision-making. The Board, taking into account the scope and nature of the operations of the Company, considers the current size of six directors to be adequate for effective decision-making.

The Board has used its best efforts to ensure that the Directors appointed to the Board have the appropriate mix of expertise and diversity in experience, such that each of them possesses the background and knowledge in technology, finance, business and management skills critical to the Company's business to enable the Board to make sound and well considered decisions.

Members of the Board comprise professionals that provide core competencies to ensure the effectiveness of the Board. Such core competencies include accounting, finance, strategic ability, business acumen, management experience and in-depth understanding of the industry and customer base, familiarity with regulatory requirements, as well as knowledge of risk analyses and control.

Board Committees

The Board has established specific committees to assist in the efficient implementation of its functions, namely, the AC, the NC and the RC. Specific responsibilities have been delegated to each of the committees. These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The Board meets on a quarterly basis at least and ad-hoc meetings are convened as and when circumstances require. The Company's Articles of Association provide for Directors to participate in Board and Board committee meetings by means of teleconference, video conferencing or audio visual equipment.

The Board also receives documents on matters requiring its consideration prior to and in advance of each meeting and vide circular resolutions. The Board papers and papers accompanying circular resolutions are required to be comprehensive and encompass both quantitative and qualitative factors so that informed decisions can be made. All proceedings of Board and Board Committee meetings are minuted and signed by the respective Chairmen of the meetings.

During the financial year ended 31 December 2012, the number of meetings held by the Board and its committees and the details of attendance are as follows:

	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee	
Name of directors	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**
Tam Jo Tak, Dominic	4	4	-	-	-	-	-	-
Yau Hing Wah, John	4	4	-	-	-	-	-	-
Zheng Naiqiao, Koulman	4	1[(a)]						
Chiu Hau Shun, Simon	4	4	4[(b)]	4[(b)]	1[(b)]	1[(b)]	1[(b)]	1[(b)]
Cheung Hok Fung, Alexander	4	4	4	4	1	1	1	1
Chia Seng Hee, Jack	4	4	4	4	1	1	1	1
Ning Li	4	4	4	4	1	1	1	1

(a) *Retired pursuant to Article 86 of the Company's Articles of Association with effect from 27 April 2012*

(b) *Attended the meetings as an invitee*

Executive Chairman and Chief Executive Officer, and Lead Independent Director

Mr. Tam Jo Tak, Dominic is the co-founder, Executive Chairman and Chief Executive Officer of the Group.

Since the inception of the Group in 1992, Mr. Tam oversees all business and management activities of the Group and is responsible for setting out business directions and goals, exploring new business opportunities and maintaining overall customer relationships of the Group. Mr. Tam has more than 25 years of experience of toy product development and in the manufacturing industry.

Mr. Tam is also responsible for heading the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in the Board's decision-making process. The Board is of the opinion that the appointment of Mr. Tam as Executive Chairman and Chief Executive Officer of the Company does not affect the effective running of the Board. In compliance with the Code, the independent non-executive directors comprise half of the Board, and they bring to bear objective and independent judgment to the decision-making processes of the Board and provide an adequate check and balance for the executive directors.

The Code recommends the appointment of a lead independent director to whom any concerns of any shareholders may be conveyed where such concerns were not resolved through the normal channels or for which such channels are inappropriate. For this purpose, Mr. Cheung Hok Fung, Alexander has been appointed as the Lead Independent Director.

Led by Mr. Cheung, the independent non-executive directors meet periodically without the presence of the other directors to discuss matters in relation to the Group. Subsequent to each such meeting, Mr. Cheung, in his capacity as the Lead Independent Director, provides feedback to Mr. Tam, the Executive Chairman and Chief Executive Officer of the Company.

Board Membership

The NC comprises entirely of Independent Non-Executive Directors, namely:

Mr. Chia Seng Hee, Jack (Chairman)
Mr. Cheung Hok Fung, Alexander
Mr. Ning Li

The principal functions of the NC are set out below:

- recommending to the Board on all board appointments;

- deliberating on the re-nomination of Directors and succession planning, particularly the Executive Chairman and Chief Executive Officer, having regard to the Director's contribution and performance (e.g. attendance at meetings, preparedness, participation and candour). All Directors are subject to re-nomination and re-election at regular intervals and at least every three years pursuant to the Company's Articles of Association. A newly appointed Director will have to submit himself for retirement and election at annual general meetings;

- determining annually whether or not a Director is independent pursuant to the guidelines set out in the Code, and in accordance with such amendments made thereto from time to time;

- making recommendations to the Board on the development of a process for evaluation of the performance of the Board, its board committees and directors, and proposing objective performance criteria that address how the Board has enhanced long-term shareholder value;

- assessing the effectiveness of the Board as a whole, and the contribution by each individual Director to the effectiveness of the Board; and

- recommending to the Board on the review of training and professional development programs for the Board.

The Independent Non-Executive Directors have multiple board representations. However, the NC is satisfied that the Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Company, in addition to their multiple board representations.

The NC notes the requirement under the revised Code for companies to fix the maximum number of listed company board representations that their directors may hold and to disclose this in their annual report. The NC will deliberate on this and details of such directorships and other principal commitments of the Directors will be disclosed in the next annual report in respect of the financial year ending 31 December 2013. As time requirements are subjective, the NC recognises that its assessment of each Director's ability to discharge his or her duties adequately should not be confined to the sole criterion of the number of his or her board representations. Thus, it will also take into account contributions by Directors during Board and Board Committee meetings and their attendance at such meetings, in addition to each of their principal commitments.

The Board through the NC ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. The NC first establishes and reviews the profile required of Board members and makes recommendations to the Board on the appointment, re-nomination and retirement of Directors. When an existing Director chooses to retire or is required to retire from office by rotation, or the need for a new Director arises, the NC will review the spectrum of expertise, skills and attributes of the Board based on its existing composition. Subsequently, the NC will identify the Company's needs and prepare a shortlist of candidates with the appropriate profile for nomination or re-nomination. Where necessary, the NC may seek advice from external search consultants.

A newly appointed director will be briefed on the Group's business and governance practices and will attend formal courses conducted by the Institute of Directors to familiarise himself with the regulatory environment in Singapore and the roles and responsibilities as a director of a listed company.

From time to time, the Directors will also continue to undergo relevant training programmes where necessary with regard to any new developments, particularly on relevant new laws, regulations and changing commercial risks. During the financial year ended 31 December 2012, the Directors underwent a training session conducted by legal counsel on recent changes to the Code.

Board Performance

The NC reviews the criteria for evaluating the Board's performance as a whole and the contributions by each Director. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board and its Directors. The Board, led by the Lead Independent Director, also assesses the effectiveness of the Executive Chairman.

The performance criteria for the Board, Board Committees and individual Directors will include an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with management, corporate integrity, managing the Company's performance, strategic review, Board Committee effectiveness, the Chief Executive Officer's performance and succession planning, Director development and management, risk management and standard of conduct of the Directors. The NC also takes factors such as attendance, preparedness, participation and candour at Board meetings into consideration.

In addition, an annual performance evaluation will be conducted during each financial year to assess effectiveness of the Board and contribution of each Director. The purpose of the evaluation is to increase the overall effectiveness of the Board. As part of the annual performance evaluation, the NC conducted a peer appraisal process whereby Directors were requested to complete appraisal forms to assess the overall effectiveness of the Board and the Board Committees, as well as each individual Director's contributions to the Board and Board Committees. The results of the appraisal exercise would be considered by the NC, which would then make recommendations to the Board, thus helping the Board to discharge its duties more effectively.

Access to information

Prior to each Board meeting, Directors are provided with timely and complete information to enable them to fulfil their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts, and reports of variances from budgets and forecasts.

The Directors have separate and independent access to the Company Secretaries. All Board and committee meetings are to be conducted in the presence of the Company Secretaries to ensure that Board procedures are followed and applicable rules and regulations are complied with. The Board is responsible for the appointment and removal of the Company Secretaries.

Where members of the Board, either individually or as a group, seek independent professional advice, after consultation with the Chairman, such expenses will be borne by the Company.

II. REMUNERATION MATTERS

(Principles 7, 8 and 9 of the Code)

Procedures for Developing Remuneration Policies

The Remuneration Committee (the "RC") consists of the following Independent Non-Executive Directors:

Mr. Chia Seng Hee, Jack (Chairman)
Mr. Cheung Hok Fung, Alexander
Mr. Ning Li

The RC is for responsible for the following:

- recommending to the Board a framework of remuneration for the Directors and key executives, and determining specific remuneration packages for the Chief Executive Officer and each Executive Director. The recommendations of the RC are submitted for endorsement by the entire Board. Each member of the RC is to abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package. As such, no Director is involved in deciding his own remuneration; and

- reviewing and administering the Company's compensation schemes such as the Combine Will Employee Share Option Scheme (the "**Scheme**") from time to time. As part of its review, the RC shall ensure that all aspects of the Scheme are comparable to schemes implemented by other similar companies within the industry.

The current policy of the RC in respect of Directors' remuneration is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company and to align the interest of the Directors with those of shareholders.

Level and Mix of Remuneration

The RC reviews and recommends a general framework of remuneration for the Board and key management personnel, with specific packages for each. The RC's recommendations would be submitted for endorsement by the entire Board.

In fine-tuning remuneration packages, the RC takes into consideration pay and employment conditions within the industry and in comparable companies. In addition, for executive Directors and key executives (who are not Directors), the Company's relative performance and individual performance are factored into each remuneration package. The RC ensures that such performance-related remuneration is aligned with the interests of shareholders, promotes the long-term success of the company, takes account of the risk policies of the company, is symmetric with risk outcomes and is sensitive to the time horizon of risks.

The remuneration of non-executive Directors will be appropriate to their respective levels of contribution, taking into account factors such as effort and time spent, and their responsibilities. The Board will recommend the remuneration of the non-executive Directors for approval at the annual general meetings of the Company.

Remuneration Components

Remuneration benefits for both executive Directors and key executives (who are not Directors) comprise a fixed component and a variable component.

The fixed component comprises the base salary. The variable component includes a performance bonus, which shall be determined based on the Company's relative performance and individual performance. To comply with the revised Code, the Company is looking into incorporating appropriate "claw-back mechanisms" to allow it to reclaim the variable incentive-based component of remuneration from directors and key management personnel.

Disclosure of Remuneration

The remuneration of the Directors for the financial year ended 31 December 2012 is disclosed below:

Name	Salary / Directors' fees (%)	Bonus (%)	Benefits in kind (%)	Share options (%)	Share-based incentives (%)	Other long-term incentives (%)	Total compensation (S$'000)
Executive Directors							
Tam Jo Tak, Dominic	100.0	-	-	-	-	-	298
Yau Hing Wah, John	100.0	-	-	-	-	-	298
Zheng Naiqiao, Koulman[(a)]	-	-	-	-	-	-	-
Chiu Hau Shun, Simon	100.0	-	-	-	-	-	268
Non-executive Directors							
Cheung Hok Fung, Alexander	100.0	-	-	-	-	-	60
Chia Seng Hee, Jack	100.0	-	-	-	-	-	60
Ning Li	100.0	-	-	-	-	-	60

(a) Retired pursuant to Article 86 of the Company's Articles of Association with effect from 27 April 2012.

The remuneration of the key executives (who are not Directors) for the financial year ended 31 December 2012 is disclosed below:

Name	Salary (%)	Bonus (%)	Benefits in kind (%)	Stock options (%)	Share-based incentives (%)	Other long-term incentives (%)	Total compensation (S$'000)
Key executives (who are not Directors)							
Zheng Naiqiao, Koulman[b]	100.0	-	-	-	-	-	298
Li Hin Lun, Alan	76.7	23.3	-	-	-	-	203
Qiu Guo Lian, David	76.2	23.8	-	-	-	-	248
Hung Kam Tim, Samuel	33.2	66.8	-	-	-	-	707
Tsang Hung Leung, Alan	93.2	6.8	-	-	-	-	231

(b) Redesignated as a key executive subsequent to his retirement as disclosed above

The total remuneration paid to the top five key executives (who are not Directors) is S$1,687,000.

The aggregate amount of termination, retirement and post-employment benefits that may be granted to the Directors, the Chief Executive Officer and the top five key executives (who are not Directors) is S$2,731,000.

The Scheme

As disclosed above, as part of its review, the RC shall ensure that all aspects of the Scheme are comparable to schemes implemented by other similar companies within the industry.

III. ACCOUNTABILITY AND AUDIT

(Principles 10, 11, 12 and 13)

Audit Committee

The AC comprises three Independent Non-Executive Directors:

Mr. Cheung Hok Fung, Alexander (Chairman)
Mr. Chia Seng Hee, Jack
Mr. Ning Li

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, with a focus principally on assisting the Board in fulfilling its duties by providing an independent and objective review of the financial process, internal controls and the audit function.

The AC has explicit authority to investigate any matter within its terms of reference. The AC also has full access to, and the co-operation of, Management, as well as full discretion to invite any Director to attend its meetings. The AC is equipped with reasonable resources to enable it to discharge its functions.

The duties and responsibilities of the AC include:

- reviewing, with the external auditors, the audit plan, including the nature and scope of the audit before the audit commences, their evaluation of the system of internal controls, audit report, management letter and Management's response;
- ensuring co-ordination where more than one audit firm is involved;
- reviewing the quarterly and annual financial statements of the Company before submission to the Board for approval;
- reviewing the financial statements of the Company, the consolidated statement of changes in equity and consolidated statement of comprehensive income, before approval by the Board;

- discussing problems and concerns, if any, arising from the quarterly and final audits, in consultation with the external auditors and the internal auditors where necessary;

- meeting with the external auditors and the internal auditors at least annually, without attendance of Management, to discuss any problems and concerns the auditors may have;

- reviewing the assistance provided by Management to the external auditors;

- reviewing annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the external auditors;

- where the auditors also provide non-audit services to the Company, reviewing the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be compromised;

- reviewing the internal audit programme (including reviewing the procedures implemented by the Group to ensure that all requisite licences and approvals are obtained prior to commencement of the appropriate phases of projects where relevant, as well as ensuring that such procedures are adequate) and to ensure co-ordination between the internal and external auditors and Management;

- reviewing the scope and results of the internal audit procedures;

- reviewing and assessing the adequacy of the Company's internal financial controls, operational and compliance controls as well as risk management policies and systems;

- reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response to such an occurrence;

- reviewing arrangements by which staff of the Company or of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters and to conduct an independent investigation of such matters for appropriate follow-up action (the "**Whistle-blowing Policy**");

- investigating any matter within its terms of reference, with full access to and co-operation from Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;

- reviewing interested person transactions (IPTs) falling within the scope of the SGX-ST Listing Manual and potential conflicts of interest, if any;

- undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;

- undertaking such other functions and duties as may be required by relevant legislation or the Listing Manual, and by such amendments made thereto from time to time;

- considering the appointment/re-appointment of the external auditors, the audit fee and matters relating to the resignation or dismissal of the auditors; and

- advising the Board on the company's overall risk tolerance and strategy.

To ensure compliance with the revised Code, the AC intends to:

- work with the Board to establish written policies to ensure compliance with legislative and regulatory requirements where appropriate;

- work with the Board to draft a risk matrix to document risk impact, risk response, and follow-up;

- implement measures to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements;

- constantly review the Management's and internal auditors' assessment of fraud risk and hold discussions with the external auditors to obtain reasonable assurance that adequate measures were put in place to mitigate fraud risk exposure in the Group; and

- periodically review the adequacy of the Whistle-blowing Policy instituted by the Group.

The AC met four times during the financial year. At these meetings, Mr. Chiu Hau Shun, Simon, an Executive Director, as well as Mr. Tsang Hung Leung, Alan, the Group Chief Financial Officer, were also in attendance. During the financial year, the AC reviewed the quarterly financial statements prior to approving or recommending to the Board of their release, as applicable. It reviewed the results of audits performed by the internal auditors based on the approved audit plan. The AC also met with the internal and external auditors, without the presence of Management, during the financial year.

Internal Controls and Internal Audit

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets and business.

The AC ensures that a review of the effectiveness of the Company's system of internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually. The Internal Audit function which carries out (among others) reviews and internal control advisory activities aligned to the key risks in the Group's business, and reports directly to the Chairman of the AC on audit matters. This provides independent assurance to the AC on the adequacy and effectiveness of the risk management, financial reporting processes, and internal control and compliance systems. The internal auditors' scope of work will be reviewed by the AC, and the resulting report issued by the internal auditors will be reviewed in detail by the AC in conjunction with Management.

For the purposes of compliance with the revised Code, the Board would obtain assurance from the Chief Executive Officer and Chief Financial Officer that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and an effective risk management and internal controls system has been put in place.

Based on the existing framework of financial, operational and compliance controls established and the reviews conducted by Management and the internal and external auditors, the Board opines, with the concurrence of the AC, that there were adequate internal controls and risk management processes in place within the Group addressing material financial, operational and compliance risks to meet the needs of the Group, taking into account the nature and scope of its operations.

The system of internal control and risk management established by Management provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

During the year under review, the aggregate amount of fees paid to:

(a) RSM Nelson Wheeler amounted to HK$1,669,000, with the fees paid for its provision of audit and non-audit services amounting to HK$1,000,000 and HK$669,000 respectively; and

(b) RSM Chio Lim LLP amounted to S$80,000, with the fees paid for its provision of audit and non-audit services amounting to S$80,000 and S$ Nil respectively.

The AC has undertaken a review of all non-audit services provided by RSM Nelson Wheeler and RSM Chio Lim LLP and they would not, in the AC's opinion, affect the independence of either RSM Nelson Wheeler or RSM Chio Lim LLP.

The Board of Directors and the Audit Committee, having reviewed the adequacy of the resources and experience of RSM Nelson Wheeler and RSM Chio Lim LLP, the audit engagement partners assigned to the audit, their other audit engagements, the size and complexity of the Group, and the number and experience of supervisory and professional staff assigned to the audit, were satisfied that the Group had complied with Rules 712 and 716 of the Listing Manual.

IV. COMMUNICATION WITH SHAREHOLDERS

(Principle 15 of the Code)

Adequate communication with Shareholders

It is the Company's policy to keep shareholders informed on a timely basis, through different media, of all major developments relating to the Company, in line with the disclosure obligations of the Company under the Listing Manual. Pursuant to this, a comprehensive investor relations policy will be put in place to ensure the Company's shareholders have ready access to pertinent information and are notified of any significant developments concerning the Group.

The Company makes timely disclosures on any new material information to the SGX-ST, and material and price sensitive information is always released via SGXNET. Information on shareholders' meetings is disseminated through notices published in newspapers, as well as through reports or circulars sent to all registered shareholders. These filings and notices are also posted on the Investor Relations ("IR") section of the Company's website immediately, so investors are made aware of business and strategic developments on a timely and consistent basis. The IR section is the key resource of information for the investment community. In addition to the quarterly financial results materials, it contains additional investor related information, including annual reports, research reports, factsheets and contact details for investor queries.

The Company encourages attendance, participation and voting by shareholders at the Company's annual general meetings and special general meetings, at which they are allowed to vote in person or *in abstentia*. Shareholders will be afforded adequate opportunities to communicate their views on matters relating to the Company. All members of the Board, including the chairpersons of the AC, NC and RC and the external auditors will be available during the Annual General Meeting to address any relevant queries from shareholders.

V. DEALINGS IN SECURITIES

The Company has adopted an internal code of practice for securities transactions by all Directors and designated employees, in compliance with Rule 1207(19) of the Listing Manual.

Under the above-mentioned Rule, Directors and designated employees must refrain from dealing in the listed securities of the Company on short-term considerations and when they are in possession of unpublished price-sensitive information in relation to the Company and/or its subsidiaries or associated companies. Directors and designated employees are also not to deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the announcement of the Company's full financial year results, as the case may be, and ending on the day of the announcement of the relevant results.

VI. MATERIAL CONTRACTS

There were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Chief Executive Officer, directors or controlling shareholders which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

VII. RISK MANAGEMENT

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management also reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

To supplement the Group's risk management capabilities, the AC is working towards the preparation of a risk matrix with the Board to document risk impact and risk response. Subsequent thereto, risk assessment and control issues will be communicated to Management and Group employees.

VIII. INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transactions with interested persons and established procedures for the review and approval of such transactions.

All interested person transactions will be properly documented and submitted to the AC for quarterly review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders.

There were no significant interested person transactions during the financial year ended 31 December 2012.

IX. USE OF PROCEEDS RAISED FROM INITIAL PUBLIC OFFERING OF THE COMPANY

The Company has raised S$22.4 million or approximately HK$115.4 million[1] from its initial public offering ("**IPO**") through issuance of 88 million new shares at S$0.23 each on 23 June 2008.

As at the date of the Annual Report, the total net proceeds of HK$92.7 million[1] (after deducting IPO expenses as disclosed on page 35 of the Company's Prospectus dated 11 June 2008) were utilised as follows:

Purpose of utilisation [2]	Amount Allocated HK$ (million)	Total Amount utilised HK$ (million)	Balance HK$ (million)
Plant, Machinery and production facilities	45.6	45.6	-
Research and development	11.4	11.4	-
Sales and marketing network	5.7	5.7	-
General working capital [3]	30.0	30.0	-
Total	92.7	92.7	-

1 *The amount is calculated based on a conversion rate of S$1 : HK$5.70.*

2 *The reallocation of total net proceeds for the following purposes was in accordance with the stated use as announced on 15 July 2010.*

3 *The entire amount utilized as general working capital was in respect of payment made to suppliers.*

Financial Statements

STATEMENT BY DIRECTORS

For the year ended 31 December 2012

In the opinion of the Directors,

(a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon as set out on pages 35 to 70, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

Tam Jo Tak, Dominic
Executive Chairman and
Chief Executive Officer

Chiu Hau Shun, Simon
Executive Director

2 April 2013

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF COMBINE WILL INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Combine Will International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 70, which comprise the statements of financial position of the Group and the Company as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

RSM Chio Lim LLP
Public Accountants and
Certified Public Accountants
Singapore

2 April 2013

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

2 April 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	7	**1,526,553**	1,778,188
Cost of sales		**(1,347,000)**	(1,558,335)
Gross profit		**179,553**	219,853
Other income	8	**30,651**	35,762
Selling and distribution expenses		**(27,612)**	(28,403)
Administrative expenses		**(110,573)**	(132,225)
Profit from operations		**72,019**	94,987
Finance costs	9	**(18,655)**	(26,043)
Gain on disposal of a subsidiary	31(a)	**267**	-
Loss on dissolution of a subsidiary		**(468)**	-
Profit before tax		**53,163**	68,944
Income tax expense	10	**(18,662)**	(18,862)
Profit for the year	11	**34,501**	50,082
Profit attributable to:			
Owners of the Company		**37,108**	40,561
Non-controlling interests		**(2,607)**	9,521
		34,501	50,082
Basic earnings per share (HK cents)	14	**113.13**	123.66

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**34,501**	50,082
Other comprehensive income:		
Exchange differences on translating foreign operations	**9,019**	17,461
Exchange differences reclassified to profit or loss on disposal of a subsidiary	**(292)**	-
Other comprehensive income for the year, net of tax	**8,727**	17,461
Total comprehensive income for the year	**43,228**	67,543
Total comprehensive income attributable to:		
Owners of the Company	**46,094**	57,320
Non-controlling interests	**(2,866)**	10,223
	43,228	67,543

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

	Note	Group 2012 HK$'000	Group 2011 HK$'000	Company 2012 HK$'000	Company 2011 HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	**289,029**	303,626	**-**	-
Investments in subsidiaries	16	**-**	-	**310,205**	310,205
Goodwill	17	**2,417**	2,417	**-**	-
Available-for-sale financial assets	18	**-**	-	**-**	-
Total non-current assets		**291,446**	306,043	**310,205**	310,205
Current assets					
Current tax assets		**8,390**	20,336	**-**	-
Inventories	19	**503,071**	442,813	**-**	-
Trade and bills receivables	20	**337,162**	378,132	**-**	-
Prepayments, deposits and other receivables	21	**170,241**	180,251	**-**	-
Due from subsidiaries	16	**-**	-	**151,513**	151,513
Pledged bank deposits	22	**-**	329,639	**-**	-
Bank and cash balances	22	**54,796**	108,726	**109**	109
Total current assets		**1,073,660**	1,459,897	**151,622**	151,622
Total assets		**1,365,106**	1,765,940	**461,827**	461,827
LIABILITIES AND EQUITY					
Non-current liabilities					
Long-term borrowings	23	**93,797**	141,276	**-**	-
Deferred tax liabilities	24	**3,140**	3,140	**-**	-
Total non-current liabilities		**96,937**	144,416	**-**	-
Current liabilities					
Current tax liabilities		**24,687**	27,260	**-**	-
Trade and bills payables	25	**155,134**	196,570	**-**	-
Accruals and other payables	26	**133,985**	192,720	**455**	455
Term loans	27	**-**	326,531	**-**	-
Short-term borrowings	28	**257,015**	214,943	**-**	-
Long-term borrowings	23	**47,303**	53,393	**-**	-
Total current liabilities		**618,124**	1,011,417	**455**	455
Total liabilities		**715,061**	1,155,833	**455**	455
Equity attributable to owners of the Company					
Share capital	29	**246,000**	246,000	**246,000**	246,000
Reserves	30	**386,090**	339,996	**215,372**	215,372
		632,090	585,996	**461,372**	461,372
Non-controlling interests		**17,955**	24,111	**-**	-
Total equity		**650,045**	610,107	**461,372**	461,372
Total liabilities and equity		**1,365,106**	1,765,940	**461,827**	461,827

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Statutory reserves (Note)**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Balance at 1 January 2011	246,000	26,488	2,057	33,252	241,900	549,697	16,297	565,994
Total comprehensive income for the year	-	-	-	16,759	40,561	57,320	10,223	67,543
Dividends to owners (Note 13)	-	-	-	-	(21,021)	(21,021)	-	(21,021)
Dividends to non-controlling interests	-	-	-	-	-	-	(2,409)	(2,409)
Changes in equity for the year	-	-	-	16,759	19,540	36,299	7,814	44,113
Balance at 31 December 2011 and 1 January 2012	246,000	26,488	2,057	50,011	261,440	585,996	24,111	610,107
Total comprehensive income for the year	-	-	-	8,986	37,108	46,094	(2,866)	43,228
Disposal of a subsidiary	-	-	(24)	-	24	-	(1,296)	(1,296)
Dividends to non-controlling interests	-	-	-	-	-	-	(1,994)	(1,994)
Changes in equity for the year	-	-	(24)	8,986	37,132	46,094	(6,156)	39,938
Balance at 31 December 2012	246,000	26,488	2,033	58,997	298,572	632,090	17,955	650,045

Note:

In accordance with The Commercial Code of Japan (the "Code"), the subsidiary of the Group established in Japan transfers an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings to the statutory reserve until the sum of the statutory reserve and additional paid-in capital equals 25% of the stated capital. The statutory reserve may be used to reduce a deficit or may be transferred to stated capital, but is not available for distribution as dividends. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the statutory reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the owners of the subsidiary of the Group.

In accordance with the relevant regulations in the People's Republic of China (the "PRC"), the subsidiaries of the Group established in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve which is not available for appropriation may be used to offset the accumulated losses, if any, of the subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**53,163**	68,944
Adjustments for:			
Depreciation		**53,908**	53,315
Gain on disposal of a subsidiary	31(a)	**(267)**	-
Loss on dissolution of a subsidiary		**468**	-
(Gain)/loss on disposal of property, plant and equipment		**(780)**	206
Bad debts written off		**-**	142
Interest income		**(2,746)**	(9,162)
Finance costs		**18,655**	26,043
Operating profit before working capital changes		**122,401**	139,488
Increase in inventories		**(60,258)**	(30,334)
Decrease/(increase) in trade and bills receivables		**40,970**	(61,023)
Decrease/(increase) in prepayments, deposits and other receivables		**5,904**	(6,961)
(Decrease)/increase in trade and bills payables		**(39,755)**	24,347
(Decrease)/increase in accruals and other payables		**(57,293)**	57,088
Cash generated from operations		**11,969**	122,605
Interest paid		**(18,655)**	(26,043)
Income taxes paid		**(9,574)**	(28,999)
Net cash (used in)/generated from operating activities		**(16,260)**	67,563
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in pledged bank deposits		**329,639**	(100,813)
Net cash outflow from disposal of a subsidiary	31(a)	**(521)**	-
Purchases of property, plant and equipment		**(37,869)**	(51,725)
Proceeds from disposal of property, plant and equipment		**1,893**	89
Interest received		**2,746**	9,162
Net cash generated from/(used in) investing activities		**295,888**	(143,287)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of new short-term bank borrowings		**-**	15,000
Inception of new long-term bank borrowings		**-**	100,211
Inception of new term loans		**-**	326,531
Repayment of short-term bank borrowings		**(35,000)**	(45,889)
Repayment of long-term borrowings		**(53,354)**	(34,980)
Repayment of term loans		**(326,531)**	(225,505)
Net advance/(repayment) of trust receipt and import loans		**78,968**	(96,309)
Dividends paid to owners		**-**	(21,021)
Dividends paid to non-controlling interests		**(1,994)**	(2,409)
Net cash (used in)/generated from financing activities		**(337,911)**	15,629
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(58,283)**	(60,095)
Net effect of exchange rate changes in consolidating subsidiaries		**6,249**	6,916
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**106,830**	160,009
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	32	**54,796**	106,830

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL INFORMATION

The financial statements of the Company and of the Group for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company (Registration No. MC-196613) was incorporated in the Cayman Islands on 8 October 2007 under The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liabilities by shares. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Xin Cheng District, Heng Li Zhen, Dongguan, Guangdong Province, the PRC. The Company's shares are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

In the opinion of the directors of the Company, as at 31 December 2012, DJKS Holdings Limited, a company incorporated in the British Virgin Islands, is the ultimate parent of the Company.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which includes all applicable International Financial Reporting Standards, and International Accounting Standards issued by the International Accounting Standards Board ("IASB") and the Interpretations issued by the IFRS Interpretations Committee of the IASB. The Group adopted all of the new and revised standards and interpretations issued by the IASB and the IFRS Interpretations Committee of the IASB that were relevant and effective for its accounting year beginning on 1 January 2012. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared under the historical cost convention except where the IFRSs require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

The preparation of these financial statements requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Consolidation (cont'd)

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (r) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is one of the functional currencies of the principal operating subsidiaries of the Group and the presentation currency of these consolidated financial statements.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes acquisition cost and any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (cont'd)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Land and buildings	10 - 50 years
Plant and machinery	10 years
Toolings	4 years
Furniture, fixtures and equipment	5 years
Motor vehicles	4 - 5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset is depreciated when it is available for use until it is de-recognised even if during that period that item is idle. Fully depreciated assets still in use are retained in these financial statements.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Leases

Operating leases - as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Operating leases - as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, sub-contracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised on a straight line basis over the lease terms.

Mould engineering income is recognised when the mould engineering services are rendered.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee benefits (cont'd)

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

(p) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Taxation (cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(q) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, inventories and receivables of which the impairment policies are set out in note 3(b), (f), (h) and (i) respectively, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(s) Segment reporting

The Group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(t) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value at the end of reporting period.

The resulting gain or loss is recognised in profit or loss immediately.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENT, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the financial statements.

Available-for-sale financial assets stated at cost less impairment

The Group determines that the available-for-sale financial assets be stated at cost less impairment. In making its judgement, the Group considers that the available-for-sale financial assets do not have a quoted market price in an active market and the fair value cannot be reliably measured and stated at cost less impairment.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, United States dollars ("USD"), Renminbi ("RMB") and Japanese Yen ("JPY") and the functional currencies of the principal operating entities of the Group are HK$ and RMB. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of financial derivatives is governed by the Group's policies approved by the board of directors of the Company, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

At 31 December 2012, if the HK$ had weakened 1 per cent against the USD with all other variables held constant, consolidated profit after tax for the year would have been HK$556,000 (2011: HK$391,000) higher, arising mainly as a result of the net foreign exchange gain on trade and bills receivables, long-term borrowings and short-term borrowings denominated in USD. If the HK$ had strengthened 1 per cent against the USD with all other variables held constant, consolidated profit after tax for the year would have been HK$556,000 (2011: HK$391,000) lower, arising mainly as a result of the net foreign exchange loss on trade and bills receivables, long-term borrowings and short-term borrowings denominated in USD.

At 31 December 2012, if the HK$ had weakened 1 per cent against the RMB with all other variables held constant, consolidated profit after tax for the year would have been HK$172,000 lower (2011: HK$2,868,000 higher), arising mainly as a result of the foreign exchange loss on mould and trade deposits received, trade and bills payables and accruals and other payables denominated in RMB. If the HK$ had strengthened 1 per cent against the RMB with all other variables held constant, consolidated profit after tax for the year would have been HK$172,000 higher (2011: HK$2,868,000 lower), arising mainly as a result of the foreign exchange gain on mould and trade deposits received, trade and bills payables and accruals and other payables denominated in RMB.

(b) Interest rate risk

The Group's exposure to interest-rate risk arises from its cash and cash equivalents and bank loans. These cash and cash equivalents and bank loans bear interests at variable rates varied with the then prevailing market conditions.

At 31 December 2012, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been HK$1,133,000 (2011: HK$885,000) higher, arising mainly as a result of lower interest expense on bank loans. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$1,133,000 (2011: HK$885,000) lower, arising mainly as a result of higher interest expense on bank loans.

(c) Credit risk

The carrying amount of the bank and cash balances, and trade and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentration of credit risk, with exposures spread over a number of counterparties and customers. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2012					
Trade and bills payables	-	155,134	-	-	-
Accruals and other payables	-	133,985	-	-	-
Short-term borrowings	258,819	-	-	-	-
Long-term borrowings	-	51,830	48,989	49,489	-
At 31 December 2011					
Trade and bills payables	-	196,570	-	-	-
Accruals and other payables	-	192,720	-	-	-
Term loans	-	332,675	-	-	-
Short-term borrowings	215,065	-	-	-	-
Long-term borrowings	-	59,854	51,825	98,654	-

(e) Categories of financial instruments at 31 December 2012

	2012 HK$'000	2011 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**479,983**	919,876
Financial liabilities:		
Financial liabilities at amortised cost	**625,129**	1,009,628

(f) Fair values

Except as disclosed in note 18 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, there are transactions and arrangements between the Group and other related parties and the effects of these on the basis determined between the parties are shown below.

Key management compensation

	2012 HK$'000	2011 HK$'000
Salaries and other short-term employee benefits	**17,786**	15,274

The above amounts are included under employee benefits expenses. Included in the above amounts are the following items:

	2012 HK$'000	2011 HK$'000
Remunerations of directors of the Company	**6,262**	7,219
Fees to directors of the Company	**1,124**	1,118

6. RELATED PARTY TRANSACTIONS (CONT'D)

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

7. REVENUE

	2012 HK$'000	2011 HK$'000
Sales of goods	**1,526,553**	1,778,188

8. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Bank interest income	**2,746**	9,162
Government grants (note)	**2,331**	5,324
Miscellaneous receipts	**11,564**	8,770
Mould engineering income, net	**10,457**	5,822
Rebate from suppliers	**844**	5,166
Rental income	**1,254**	912
Sales of scrap materials	**1,455**	606
	30,651	35,762

Note: Government grants mainly related to the subsidy received from the local government authority for the achievements of the Group's laboratory.

9. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on bank loans and overdrafts	**18,655**	26,043

10. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Current tax expenses		
- Hong Kong	**9,871**	7,928
- The PRC	**8,410**	10,044
	18,281	17,972
Under-provision in prior years	**381**	890
	18,662	18,862

Hong Kong Profits Tax has been provided at a rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year ended 31 December 2012 less allowable losses brought forward.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to relevant income tax rules and regulations of the PRC, certain of the subsidiaries in the PRC are exempted from PRC enterprise income tax for the two years from their respective first profit-making year and thereafter are entitled to a 50% relief from the PRC enterprise income tax for the following three years. For the years ended 31 December 2012 and 2011, the applicable PRC enterprise income tax rates are ranging from 15% to 25%.

A wholly owned subsidiary of the Company, was granted the status of a "High and New Technology Enterprise" that entitled to a preferential enterprise income tax rate of 15% for three years commencing from the year ended 31 December 2009.

10. **INCOME TAX EXPENSE (CONT'D)**

In accordance with the relevant income tax rules and regulations of the PRC, the Group's PRC subsidiaries should withhold the dividend income tax of the Group. For the year ended 31 December 2012, the dividend income tax of the Group amounted to HK$1,189,000 (2011: HK$1,297,000) have not been provided as the amount was immaterial.

The income tax expense varied from the amount of income tax expense determined by applying the Hong Kong Profits Tax rate to profit before tax as a result of the following differences:

	2012 HK$'000	2011 HK$'000
Profit before tax	53,163	68,944
Income tax expense at Hong Kong Profits Tax rate	8,772	11,376
Tax effect of income that is not taxable	(505)	(10)
Tax effect of expenses that are not deductible	686	3,161
Tax effect of temporary differences not recognised	(123)	(91)
Tax effect of utilisation of tax losses not previously recognised	(287)	(257)
Tax effect of tax losses not recognised	7,407	358
Effect of different tax rates of subsidiaries	1,278	4,191
Effect of tax concession	-	(1,588)
Under-provision in prior years	381	890
Over-provision for the year	1,053	832
Income tax expense	18,662	18,862

11. **PROFIT FOR THE YEAR**

The Group's profit for the year is stated after (crediting)/charging the following:

	2012 HK$'000	2011 HK$'000
Bad debts written off	-	142
Depreciation	53,908	53,315
(Gain)/loss on disposal of property, plant and equipment	(780)	206
Write off of deposits paid (note)	-	11,245
Exchange loss/(gain)	2,414	(2,296)
Operating lease expenses	18,608	19,015

Note: In 2011, the write off of deposits paid related to the professional fees and various expenses incurred for the proposed dual listing of the Company on the Korean Exchange.

12. **EMPLOYEE BENEFITS EXPENSES**

	2012 HK$'000	2011 HK$'000
Employee benefits expenses including directors	379,200	388,573
Contributions to defined contribution scheme	22,402	16,563
Employee benefits expenses	401,602	405,136

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2012

13. DIVIDENDS

(a) Dividend for the year

	2012 HK$'000	2011 HK$'000
Final dividend proposed after the end of the reporting period of Singapore dollar ("SGD")Nil (2011: SGDNil) per share for the financial year	-	-

(b) Dividend for the previous financial year, approved and paid during the year

	2012 HK$'000	2011 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of SGDNil (2011: SGD0.01) per share	-	2,051
Special dividend of SGDNil (2011: SGD0.09) per share declared and paid during the year	-	18,970
	-	21,021

14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company of approximately HK$37,108,000 (2011: HK$40,561,000) by the weighted average number of ordinary shares of 32,800,000 (2011: 32,800,000, as adjusted to reflect the share consolidation in April 2011) in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2012 and 2011.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Plant and machinery HK$'000	Toolings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2011	89,102	486,181	43,102	64,742	10,460	693,587
Additions	-	44,663	1,473	3,314	2,275	51,725
Disposals	-	(985)	-	(271)	-	(1,256)
Exchange differences	1,586	9,586	2,264	425	151	14,012
At 31 December 2011 and 1 January 2012	90,688	539,445	46,839	68,210	12,886	758,068
Additions	-	31,538	2,849	2,475	1,007	37,869
Disposals	-	(8,796)	(1,556)	(853)	(100)	(11,305)
Exchange differences	4,981	(8,091)	6,548	474	947	4,859
At 31 December 2012	95,669	554,096	54,680	70,306	14,740	789,491
Accumulated depreciation						
At 1 January 2011	61,343	242,143	39,780	46,865	8,490	398,621
Charge for the year	5,439	40,033	1,986	4,773	1,084	53,315
Disposals	-	(757)	-	(204)	-	(961)
Exchange differences	1,286	1,711	266	130	74	3,467
At 31 December 2011 and 1 January 2012	68,068	283,130	42,032	51,564	9,648	454,442
Charge for the year	3,388	42,266	2,118	4,827	1,309	53,908
Disposals	-	(7,771)	(1,556)	(771)	(94)	(10,192)
Exchange differences	5,813	(7,843)	2,538	682	1,114	2,304
At 31 December 2012	77,269	309,782	45,132	56,302	11,977	500,462
Carrying amount						
At 31 December 2012	18,400	244,314	9,548	14,004	2,763	289,029
At 31 December 2011	22,620	256,315	4,807	16,646	3,238	303,626

The depreciation expense is charged as follows:

	Cost of sales HK$'000	Administrative expenses HK$'000	Total HK$'000
Financial year ended 31 December 2012	48,859	5,049	53,908
Financial year ended 31 December 2011	48,668	4,647	53,315

At 31 December 2012, the carrying amount of land and buildings pledged as security for the Group's banking facilities amounted to HK$Nil (2011: HK$10,817,000).

16. INVESTMENTS IN SUBSIDIARIES

	Company 2012 HK$'000	Company 2011 HK$'000
Unlisted investments, at cost	**310,205**	310,205

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries as at 31 December 2012 are as follows:

Name	Date and place of incorporation/ establishment	Principal activities	Issued and paid-up/registered capital 2012	Issued and paid-up/registered capital 2011	Effective interests held by the Group 2012 %	Effective interests held by the Group 2011 %
Directly held						
Combine Will Holdings Limited*	19 September 2000 Cayman Islands	Investment holding	HK$1,000	HK$1,000	100	100
APT International Holdings Limited*	4 August 2009 Cayman Islands	Investment holding	USD2,100,000	USD2,100,000	100	100
Faith and Hope Holdings Limited*	4 August 2009 Cayman Islands	Investment holding	USD1	USD1	100	100
Indirectly held						
Combine Will Industrial Company Limited**	12 March 1992 Hong Kong	Investment holding, manufacturing and trading of plastic toys, die casting and premium items on OEM basis	HK$14,000,000	HK$14,000,000	100	100
联志玩具礼品(东莞)有限公司 (Combine Will (Dongguan) Ind. Co., Ltd.)***	7 November 2001 Dongguan, Guangdong, PRC	Manufacturing of plastic toys, die casting and premium items on OEM basis	HK$84,893,520	HK$84,893,520	100	100
Triple Wise Co., Ltd.*	3 August 2000 British Virgin Islands	Investment holding	USD1	USD1	100	100
Loong Run Industrial Company Limited**	7 March 1995 Hong Kong	Investment holding and trading of plastic toys, die casting and premium items on OEM basis	HK$100,000	HK$100,000	100	100
东莞联弘玩具有限公司 (Dongguan Loong Run Toys Company Limited)***	21 August 2002 Dongguan, Guangdong, PRC	Manufacturing of plastic toys, die casting and premium items on OEM basis	HK$14,500,000	HK$14,500,000	100	100
Legacy Giftware Limited**	6 August 1996 Hong Kong	Investment holding and trading of plastic toys, die casting and premium items on OEM basis	HK$3,100,000	HK$3,100,000	100	100
东莞联艺工艺制品有限公司 (Dongguan Legacy Craft Product Limited)	29 May 2002 Dongguan, Guangdong, PRC	In voluntary liquidation	N/A (Note 1)	HK$2,500,000	-	100
Combine Will Industrial (Overseas) Company Limited*	25 October 2000 British Virgin Islands	Investment holding	USD2	USD2	100	100
Million Favour Inc.*	8 August 2000 Samoa	Investment holding and trading of electronics parts for the toys	USD100	USD100	70	70
东莞成乐电子有限公司 (Bliss Electronic (China) Company Limited)***	5 August 2003 Dongguan, Guangdong, PRC	Manufacturing of electronics parts	HK$25,361,000	HK$25,361,000	70	70
Sunstone Company Limited**	3 February 1994 Hong Kong	Trading of premium items	HK$100,000	HK$100,000	100	100
Altrust Precision Tooling Company Limited**	12 November 1996 Hong Kong	Investment holding	HK$10,100,000	HK$10,100,000	100	100

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2012 are as follows: (cont'd)

Name	Date and place of incorporation/ establishment	Principal activities	Issued and paid-up/registered capital 2012	Issued and paid-up/registered capital 2011	Effective interests held by the Group 2012 %	Effective interests held by the Group 2011 %
Indirectly held						
Kam Hing Product Design and Development Company Limited**	12 February 1997 Hong Kong	Trading of models and moulds	HK$10,100,000	HK$10,100,000	100	100
Altrust Precision Tooling Company Limited*	29 June 1999 Samoa	Investment holding and trading of moulds	USD1	USD1	100	100
忠信制模(东莞)有限公司 (Altrust Precision Tooling (Dongguan) Co., Ltd.)***	22 October 1999 Dongguan, Guangdong, PRC	Manufacturing of moulds	HK$89,196,920	HK$89,196,920	100	100
Altrust Japan Corporation	15 July 2004 Japan	Trading of moulds	N/A (Note 2)	JPY10,000,000	-	70
Advanced Precision Tooling USA, LLC	22 February 2002 California, United States of America	Trading of moulds	N/A (Note 3)	N/A (Note 4)	-	60
Headonway Industrial Company Limited**	4 January 2007 Hong Kong	Manufacturing of models and moulds	HK$1,000	HK$1,000	60	60
Unifaith Machine Tools Company Limited**	22 March 2000 Hong Kong	Trading of machinery and tools	HK$1,000,000	HK$1,000,000	60	60
联信行贸易(深圳)有限公司 (Unifaith Trading (Shenzhen) Company Limited)***	12 March 2003 Shenzhen, Guangdong, PRC	Trading of machinery and tools	HK$4,000,000	HK$4,000,000	60	60
Hopewell Precision Machine Tools Company Limited**	8 October 2001 Hong Kong	Trading of machinery	HK$1,000,000	HK$1,000,000	60	60
河源联弘玩具礼品有限公司 (Heyuan Loong Run Toys Company Limited)****	28 December 2009 Heyuan, Guangdong, PRC	Manufacturing and trading of plastic toys	HK$55,000,000	HK$55,000,000	100	100
Luke Medical Company Limited	4 August 2011 Hong Kong	Investment holding	HK$10,000	N/A	100	-
联志电子玩具制品(梧州)有限公司 (Combine Will Electronics Toys (Wuzhou) Co., Ltd.)	19 July 2012 Wuzhou, Guangxi, PRC	Manufacturing and trading of plastic toys	HK$10,000,000	N/A	100	-

All the subsidiaries are audited by RSM Nelson Wheeler for the purpose of consolidation.

* *Not required to be audited according to the laws of country of incorporation.*

** *The statutory financial statements for the year ended 31 December 2012 were audited by RSM Nelson Wheeler.*

*** *The statutory financial statements for the year ended 31 December 2012 prepared in accordance with generally accepted accounting principles in the PRC, were audited by 深圳和诚会计师事务所 (He Cheng Certified Public Accountants) for tax filing and annual registration purposes.*

**** *The statutory financial statements for the year ended 31 December 2012 prepared in accordance with generally accepted accounting principles in the PRC, were audited by 广东大川会计师事务所 (Da Chuan Certified Public Accountants) for tax filing and annual registration purposes.*

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Notes:

1. Dongguan Legacy Craft Product Limited was liquidated during the year.
2. Altrust Japan Corporation was disposed of by the Group on 10 June 2012.
3. Advanced Precision Tooling USA, LLC was dissolved on 23 April 2012.
4. Advanced Precision Tooling USA, LLC does not have share capital but ascertains its ownership through membership interest.

17. GOODWILL

	Group HK$'000
Cost and carrying amount	
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	2,417

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the segment of original design manufacturers services ("ODM") / original equipment manufacturers services ("OEM") of HK$1,927,000 and trading of HK$490,000.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 5%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's trading activities is 10%.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2012 HK$'000	**2011 HK$'000**
Unlisted equity securities, at cost	**3,779**	3,779
Less: Impairment loss on available-for-sale financial assets	**(3,779)**	(3,779)
	-	-

Unlisted equity securities were carried at cost less impairment loss as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The above amount is denominated in SGD.

19. INVENTORIES

	Group 2012 HK$'000	2011 HK$'000
Raw materials, consumables and supplies	**146,419**	65,587
Work in progress	**241,819**	207,862
Finished goods	**123,492**	178,023
Less: Allowance for impairment	**(8,659)**	(8,659)
	503,071	442,813

	2012 HK$'000	2011 HK$'000
The cost of sales includes the following:		
Changes in inventories of finished goods and work in progress (decreased)/increased	**(20,574)**	40,196
Raw materials and consumables used	**658,885**	844,160

20. TRADE AND BILLS RECEIVABLES

The average credit period generally granted to non-related trade and bills receivables customers for the year ended 31 December 2012 is about 90 days (2011: 90 days).

The movement of allowance for trade receivables is as follows:

	Group 2012 HK$'000	2011 HK$'000
At 1 January	**3,800**	3,889
Amounts written off	**-**	(89)
At 31 December	**3,800**	3,800

As of 31 December 2012, trade receivables of approximately HK$125,757,000 (2011: HK$200,740,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	Group 2012 HK$'000	2011 HK$'000
Up to 3 months	**56,929**	131,104
Over 3 months	**68,828**	69,636
	125,757	200,740

The carrying amounts of trade and bills receivables denominated in currencies other than the presentation currency of the Group are as follows:

	Group 2012 HK$'000	2011 HK$'000
RMB	**46,046**	35,970
USD	**166,261**	167,625
JPY	**1,270**	10,520
Euro ("EUR")	**5,879**	4,360

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Prepayments	**28,159**	27,983
Trade deposits paid	**40,852**	38,996
Utility and other deposits	**13,205**	9,893
Other receivables	**88,025**	103,379
	170,241	180,251

22. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

At 31 December 2011, the Group's pledged bank deposits represented deposits pledged to banks to secure term loans as set out in note 27 to the financial statements. The deposits are in RMB and at fixed interest rate ranged from 2.41% to 2.65% per annum as at that date. The Group has entered contracts with the banks to use foreign currency swaps to manage its exposure to the movement of the change of the foreign currency on the pledged bank deposits. The deposit therefore is subject to fair value interest rate risk.

An analysis of the bank and cash balances denominated in currencies other than the presentation currency of the Group and Company is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**1,828**	11,572	**-**	-
RMB	**34,665**	45,452	**-**	-
JPY	**2,852**	4,125	**-**	-
EUR	**335**	4,077	**-**	-
SGD	**170**	109	**109**	109
Korean Won ("KRW")	**172**	369	**-**	-

The rate of interest for the cash on interest earning balances is between 0.01% to 0.5% (2011: 0.01% to 0.5%) per annum. These approximate the effective interest rates.

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. LONG-TERM BORROWINGS

The long-term borrowings are repayable as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within 1 year	**47,303**	53,393
Later than 1 year and not later than 2 years	**46,088**	47,304
Later than 2 years and not later than 5 years	**47,709**	93,972
	141,100	194,669

23. LONG-TERM BORROWINGS (CONT'D)

The carrying amounts of the Group's long-term borrowings are denominated in the following currencies:

	Group	
	2012	2011
	HK$'000	HK$'000
HK$	**101,108**	144,459
USD	**39,992**	50,210
	141,100	194,669

The interest rate of the long-term borrowings as at 31 December 2012 was ranged from 2.13% to 4.75% (2011: 2.13% to 4.75%) per annum and the Group entered contracts with the banks to use interest rate swaps to manage its exposure to interest rate movements on the long-term borrowings.

24. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Accelerated tax depreciation
	HK$'000
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	3,140

There is no income tax consequence of dividends to owners of the Company.

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group	
	2012	2011
	HK$'000	HK$'000
Deferred tax liabilities	**3,140**	3,140

At the end of the reporting period the Group has unused tax losses of HK$20,365,000 (2011: HK$22,100,000) available for offset against future profits and no deferred tax asset has been recognised due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

25. TRADE AND BILLS PAYABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Bills payables, secured (Note 33)	**15,555**	34,967
Trade payables	**139,579**	161,603
	155,134	196,570

25. TRADE AND BILLS PAYABLES (CONT'D)

An analysis of the above amounts denominated in currencies other than the presentation currency of the Group is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
USD	**19,806**	34,009
RMB	**95,334**	106,965
SGD	**217**	217
JPY	**5,283**	7,530
KRW	**1**	558

The average credit period taken to settle non-related trade payables for the year ended 31 December 2012 is about 30 to 60 days (2011: 30 to 60 days).

26. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**48,409**	57,579	**-**	-
Mould and trade deposits received	**62,105**	115,806	**-**	-
Other payables	**23,471**	19,335	**455**	455
	133,985	192,720	**455**	455

27. TERM LOANS

During the year ended 31 December 2011, term loans were drawn from 11 January 2011 to 30 June 2011, secured by the pledged deposits of the Group (note 22) and repayable within one year. The interest rate of the term loans as at 31 December 2011 ranged from 1.42% to 2.12% per annum and the Group entered into contracts with the banks to use interest rate swaps to manage its exposure to interest rate movements on the term loans. As at 31 December 2011, the term loans were denominated in HK$.

28. SHORT-TERM BORROWINGS

	Group	
	2012	2011
	HK$'000	HK$'000
Bank loans, secured (Note 33)	**-**	35,000
Trust receipt and import loans, secured (Note 33)	**257,015**	178,047
Bank overdraft, secured (Note 33)	**-**	1,896
	257,015	214,943

An analysis of the above amounts denominated in currencies other than the presentation currency of the Group is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
USD	**12,186**	74,469

The average interest rates at 31 December were as follows:

	Group	
	2012	2011
Bank loans, secured	**Nil**	4.0%
Trust receipt and import loans, secured	**2.5%**	2.0%
Bank overdraft, secured	**Nil**	5.8%

Short-term borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

29. SHARE CAPITAL

	Company	
	Number of Shares	Amount HK$
Authorised:		
Ordinary shares of HK$7.50 (2011: HK$7.50) each		
At 1 January 2011	1,000,000,000	750,000,000
Share consolidation (note)	(900,000,000)	-
At 31 December 2011, 1 January 2012 and 31 December 2012	100,000,000	750,000,000
Issued and fully paid:		
Ordinary shares of HK$7.50 (2011: HK$7.50) each		
At 1 January 2011	328,000,000	246,000,000
Share consolidation (note)	(295,200,000)	-
At 31 Decemebr 2011, 1 January 2012 and 31 December 2012	32,800,000	246,000,000

Note: On 6 April 2011, a share consolidation of every ten existing ordinary shares of HK$0.75 each consolidated into one consolidated share of HK$7.50 each. As a result, the issued shares of the Company decreased from 328,000,000 ordinary shares of HK$0.75 each to 32,800,000 ordinary shares of HK$7.50 each.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for owners of the Company and benefits for other stakeholders, and to provide an adequate return to owners of the Company by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained earnings and other reserves).

	Group	
	2012 HK$'000	2011 HK$'000
Total debt	**398,115**	736,143
Less: Cash and cash equivalents (note 32)	**(54,796)**	(106,830)
Net debt	**343,319**	629,313
Total equity and adjusted capital	**650,045**	610,107

	Group	
	2012	2011
Debt-to-adjusted capital ratio	**53%**	103%

The decrease in the debt-to-adjusted capital ratio during 2012 resulted primarily from decrease of the term loans and bank borrowings.

The only externally imposed capital requirement is that for the Group to maintain its listing on the SGX-ST it has to have a public float of at least 10% of the total issued shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 10% limit throughout the year. As at 31 December 2012, 26.5% (2011: 26.5%) of the total issued shares were in public hands.

30. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) The Company

	Share premium HK$'000 (Note 30(c)(i))	Contributed surplus HK$'000 (Note 30(c)(ii))	Retained earnings HK$'000	Total HK$'000
At 1 January 2011	26,488	130,205	60,000	216,693
Profit for the year	-	-	19,700	19,700
Dividend to owners	-	-	(21,021)	(21,021)
At 31 December 2011 and 1 January 2012	26,488	130,205	58,679	215,372
Profit for the year	-	-	-	-
At 31 December 2012	26,488	130,205	58,679	215,372

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Contributed surplus

Contributed surplus of the Company arose as a result of the restructuring exercise and represented the difference between the then consolidated net asset value of subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company is available for distribution to owners, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(c)(iii) to the financial statements.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of a subsidiary

On 10 June 2012, the Group disposed of its subsidiary, Altrust Japan Corporation.

Net assets at the date of disposal were as follows:

	HK$'000
Prepayments, deposits and other receivables	4,857
Bank and cash balances	3,521
Current tax assets	285
Trade payables	(1,681)
Accruals and other payables	(2,661)
Net assets disposed of	4,321
Release of foreign currency translation reserve	(292)
Non-controlling interests	(1,296)
Gain on disposal of a subsidiary	267
Total consideration - satisfied by cash	3,000
Net cash outflow arising on disposal:	
Cash consideration received	3,000
Cash and cash equivalents disposed of	(3,521)
	(521)

32. CASH AND CASH EQUIVALENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Bank and cash balances	**54,796**	108,726
Bank overdraft (Note 28)	**-**	(1,896)
	54,796	106,830

33. BANKING FACILITIES

	Group	
	2012	2011
	HK$'000	HK$'000
Banking facilities, secured	**2,411,783**	2,661,488

The above banking facilities are secured by:

(i) cross corporate guarantees executed by the group companies; and

(ii) guarantees issued by the Government of Hong Kong Special Administrative Region.

All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

33. BANKING FACILITIES (CONT'D)

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 5(d). As at 31 December 2012 none of the covenants relating to drawn down facilities had been breached (2011: HK$Nil).

34. OPERATING LEASE PAYMENT COMMITMENTS

At the end of the reporting period, the total of future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Not later than one year	**9,859**	6,075
Later than one year and not later than five years	**6,622**	3,507
	16,481	9,582

Operating lease payments are for rentals payable for the factory, office premises and staff quarters. Certain lease rental terms were negotiated for an average term of one to five years and certain leases were entered with no commitment terms.

35. CAPITAL COMMITMENTS

At the end of the reporting period, the capital commitments of the Group are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	**2,118**	1,375
Authorised but not contracted for	**250,000**	-
	252,118	1,375

36. SEGMENT INFORMATION

For management purposes, the Group operates in three operating divisions - manufacturing of toys and premium products, manufacturing of moulds and model and trading of machineries and premium goods.

Principal activities are as follows:

(i) ODM / OEM - Manufacture of toys and premium products

(ii) Moulds and Tooling - Manufacture of the moulds and model

(iii) Trading - Trading of machineries and premium goods.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include dividend income and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include derivative instruments. Segment non-current assets do not include financial instruments and deferred tax assets.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

36. SEGMENT INFORMATION (CONT'D)

Information about reportable segment profit or loss, assets and liabilities:

	ODM/OEM HK$'000	Moulds and Tooling HK$'000	Trading HK$'000	Total HK$'000
Year ended 31 December 2012				
Revenue from external customers	1,171,626	166,168	188,759	1,526,553
Intersegment revenue	-	18,296	46	18,342
Segment profit/(loss)	80,371	(6,306)	4,158	78,223
Interest revenue	2,698	16	32	2,746
Interest expense	13,879	2,745	2,031	18,655
Depreciation	33,560	20,131	217	53,908
Income tax expense	14,033	765	3,864	18,662
Additions to segment non-current assets	33,523	4,298	48	37,869
As at 31 December 2012				
Segment assets	971,611	237,731	61,283	1,270,625
Segment liabilities	167,352	74,186	46,501	288,039
Year ended 31 December 2011				
Revenue from external customers	1,193,628	267,160	317,400	1,778,188
Intersegment revenue	-	11,355	25	11,380
Segment profit	70,049	15,200	28,861	114,110
Interest revenue	9,060	29	73	9,162
Interest expense	24,566	911	566	26,043
Depreciation	32,502	20,632	181	53,315
Income tax expense	9,911	2,201	6,750	18,862
Additions to segment non-current assets	23,082	28,046	597	51,725
As at 31 December 2011				
Segment assets	885,393	283,416	119,242	1,288,051
Segment liabilities	170,344	90,962	126,906	388,212

36. SEGMENT INFORMATION (CONT'D)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2012 HK$'000	2011 HK$'000
Revenue		
Total revenue of reportable segments	**1,544,895**	1,789,568
Elimination of intersegment revenue	**(18,342)**	(11,380)
Consolidated revenue	**1,526,553**	1,778,188
Profit or loss		
Total profit or loss of reportable segments	**78,223**	114,110
Other profit or loss	**(43,722)**	(64,028)
Consolidated profit for the year	**34,501**	50,082
Assets		
Total assets of reportable segments	**1,270,625**	1,288,051
Other assets	**94,481**	477,889
Consolidated total assets	**1,365,106**	1,765,940
Liabilities		
Total liabilities of reportable segments	**288,039**	388,212
Other liabilities	**427,022**	767,621
Consolidated total liabilities	**715,061**	1,155,833
Other material items		
Depreciation	**53,908**	53,315
Interest expense	**18,655**	26,043
Additions of property, plant and equipment	**37,869**	51,725

36. SEGMENT INFORMATION (CONT'D)

Geographical information:

	Revenue 2012 HK$'000	Revenue 2011 HK$'000	Non-current assets 2012 HK$'000	Non-current assets 2011 HK$'000
Asia				
Greater China (including PRC, Hong Kong, Macau and Taiwan)	**826,041**	1,018,273	**291,446**	305,905
Singapore	**303,082**	309,738	**-**	-
Australia	**-**	2,397	**-**	-
Other countries	**2,162**	27,520	**-**	114
	1,131,285	1,357,928	**291,446**	306,019
America				
United States	**79,161**	120,277	**-**	24
Other countries	**4,938**	51,830	**-**	-
	84,099	172,107	**-**	24
Europe				
Germany	**120,813**	177,910	**-**	-
Other countries	**190,356**	70,243	**-**	-
	311,169	248,153	**-**	-
Consolidated total	**1,526,553**	1,778,188	**291,446**	306,043

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

	2012 HK$'000	2011 HK$'000
ODM/OEM		
Customer a	**413,640**	437,887
Customer b	**303,082**	404,036
Moulds and Tooling		
Customer c	**32,449**	24,696
Customer d	**13,777**	3,688
Trading		
Customer e	**16,260**	103,089
Customer f	**20,037**	53,160

37. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps:

The entity uses interest rates swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of HK$181 million and USD6.45 million have fixed interest payments at an average rate of 2.125% to 4.75% per annum for periods up until September 2016 and the floating rate in Hong Kong Interbank Offer Rate with spread from plus 1% to plus 3.5%.

At 31 December 2012, the fair value of the interest rate swaps amounted to HK$4.1 million and has not recognised as the amount was immaterial.

Foreign currency derivatives:

Currency derivatives are utilised to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the entity's principal markets. As a matter of principle, the entity does not enter into derivative contracts for speculative purposes.

Notional amounts of derivative financial instruments:

This includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

At 31 December 2011, the forward rate for RMB to HK$ ranged from 0.8230 to 0.8370.

At 31 Decemebr 2011, the Group had notional amounts as follows and of which HK$345 million is entered for the Group's pledged deposits denominated in RMB:

	2012 **HK$'000**	2011 HK$'000
Foreign exchange forward contracts - RMB/HK$	-	344,794

STATISTICS OF SHAREHOLDINGS

As at 15 March 2013

SHARE CAPITAL

Authorised share capital	:	HK$750,000,000
Issued and fully paid-up capital	:	HK$246,000,000
Number of Shares	:	32,800,000
Class of Shares	:	Ordinary share
Voting rights	:	one vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	103	22.94	29,000	0.09
1,000 – 10,000	273	60.80	929,400	2.83
10,001 – 1,000,000	70	15.59	3,770,600	11.50
1,000,001 and above	3	0.67	28,071,000	85.58
Total	**449**	**100.00**	**32,800,000**	**100.00**

TWENTY LARGEST SHAREHOLDINGS

No.	Name	No. of Shares	%
1	HL BANK NOMINEES (S) PTE LTD	25,075,400	76.45
2	PHILLIP SECURITIES PTE LTD	1,601,500	4.88
3	DBS VICKERS SECURITIES (S) PTE LTD	1,394,100	4.25
4	OCBC SECURITIES PRIVATE LTD	407,400	1.24
5	MAYBANK KIM ENG SECURITIES PTE LTD	392,300	1.20
6	CITIBANK NOMINEES SINGAPORE PTE LTD	279,400	0.85
7	DBS NOMINEES PTE LTD	205,700	0.63
8	HSBC (SINGAPORE) NOMINEES PTE LTD	164,700	0.50
9	LIEW WING ONN	150,000	0.46
10	UOB KAY HIAN PTE LTD	113,200	0.35
11	HENG CHEW HOCK (WANG QIUFU)	99,100	0.30
12	GOH CHOON WEI OR GOH SOON POH	85,000	0.26
13	LIM & TAN SECURITIES PTE LTD	79,700	0.24
14	UNITED OVERSEAS BANK NOMINEES PTE LTD	69,900	0.21
15	RAFFLES NOMINEES (PTE) LTD	69,700	0.21
16	CIMB SECURITIES (SINGAPORE) PTE LTD	65,600	0.20
17	HENG KOK HUAT @YHENG KOK HUAT	62,500	0.19
18	SIOW CHER LIANG	61,000	0.19
19	HOH FUNG LING	60,000	0.18
20	SEE SHUN SHENG	60,000	0.18
	TOTAL	**30,496,200**	**92.97**

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Shareholder	No. of Shares	%	No. of Shares	%
DJKS Holdings Limited [(1)]	24,100,000	73.48	-	-
Tam Jo Tak, Dominic [(2)] [(3)]	-	-	24,100,000	73.48
Yau Hing Wah, John [(2)] [(3)]	-	-	24,100,000	73.48

Notes:

(1) DJKS Holdings is holding the shares through its nominee, HL Bank Nominees (S) Pte Ltd.

(2) Mr. Tam Jo Tak, Dominic and Mr. Yau Hing Wah, John hold 57.14% and 28.57% respectively of the equity interest in DJKS Holdings Limited and thus they are deemed to be interested in DJKS Holdings Limited's shareholding in the Company.

(3) As at 21 January 2013 (the 21st day after the end of the financial year), the direct and deemed interest of each of Mr. Tam Jo Tak, Dominic and Mr. Yau Hing Wah, John is the same as at 15 March 2013, and both Mr. Tam and Mr. Yau do not have any direct or deemed interest in convertible securities. Save as disclosed, none of the directors has any direct or deemed interest in the shares and convertible securities of the Company as at 21 January 2013.

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF PUBLIC

Based on the information available to the Company as at 15 March 2013, 26.52% (representing 8,700,000 shares) of the issued shares of the Company is held by the public and therefore Rule 723 of the SGX Listing Manual is complied with.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Conrad Centennial Singapore, 2 Temasek Boulevard, Singapore 038982 on Friday, 26 April 2013 at 10.30 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2012, together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To approve the payment of Directors' Fees of S$200,000 for the financial year ending 31 December 2013 [2012: S$180,000]. **[See Explanatory Note (i)]** **(Resolution 2)**

3. To re-elect Mr. Chia Seng Hee, Jack, a Director who retires pursuant to Article 86 of the Company's Articles of Association. **[See Explanatory Note (ii)]** **(Resolution 3)**

4. To re-elect Mr. Ning Li, a Director who retires pursuant to Article 86 of the Company's Articles of Association. **[See Explanatory Note (iii)]** **(Resolution 4)**

5. To re-appoint Messrs RSM Nelson Wheeler and RSM Chio Lim LLP as joint Auditors, and to authorise the directors of the Company to fix their remuneration. **(Resolution 5)**

As Special Business

To consider and if deemed fit to pass the following Ordinary Resolutions with or without modifications:-

6. **SHARE ISSUE MANDATE**

THAT pursuant to Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to allot and issue whether by way of bonus or otherwise, (i) shares; (ii) convertible securities; (iii) additional convertible securities (where an adjustment, to the number of convertible securities to which a holder is originally entitled to, is necessary as a result of any rights, bonus or other capitalisation issues by the Company), notwithstanding that such authority may have ceased to be in force at the time such additional convertible securities are issued, provided that the adjustment does not give the holder of the convertible securities a benefit that a shareholder does not receive; and/or (iv) shares arising from the conversion of securities in (ii) and additional convertible securities in (iii) above, notwithstanding that such authority may have ceased to be in force at the time the shares are to be issued, and any such issue may be made at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit,

PROVIDED THAT:-

(i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed 50% of the total number of the issued shares (excluding treasury shares) of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of the issued shares (excluding treasury shares) of the Company;

(ii) subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of this Resolution, the percentage of the issued share capital shall be based on the Company's total number of the issued shares (excluding treasury shares) at the time this resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company (the "**Articles**"); and

(iv) (unless revoked or varied by the Company in a general meeting) such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. [**See Explanatory Note (iv)]** **(Resolution 6)**

7. **AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE COMBINE WILL EMPLOYEE SHARE OPTION SCHEME**

THAT the Directors of the Company be and are hereby authorized to offer and grant options in accordance with the provisions of the Combine Will Employee Share Option Scheme (the "**Scheme**") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme, provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of the issued shares (excluding treasury shares) of the Company from time to time. **[See Explanatory Note (v)]** **(Resolution 7)**

8. **PROPOSED RENEWAL OF SHARE PURCHASE MANDATE**

THAT:

(i) pursuant to the Company's Articles of Association (the "**Articles**"), the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**") and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Listing Manual**"), approval be and is hereby given for the renewal of the Share Purchase Mandate (as hereinafter defined) and the Directors of the Company be authorised to exercise all the powers of the Company to purchase or otherwise acquire issued ordinary shares of par value HK$7.50 each, fully paid, in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time, up to the Maximum Price (as hereinafter defined), whether by way of:

(a) market purchase(s) ("**Market Purchase**"), transacted on SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted; and/or

(b) off-market purchase(s) ("**Off-Market Purchase**") (if effected otherwise than on SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors of the Company as they may consider fit and in the interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Articles and the Listing Manual,

and otherwise in accordance with all other laws and regulations (the "**Share Purchase Mandate**"); and

(ii) the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this resolution and expiring on the earliest of:

(a) the conclusion of the next annual general meeting of the Company ("**AGM**") following the passing of this resolution;

(b) the date by which such AGM is required by law or the Articles to be held;

(c) the date on which Share purchases or acquisitions pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(d) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by ordinary resolution of the Company in a general meeting

(the "**Relevant Period**").

In this resolution:

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(1) in the case of a Market Purchase: 105 per cent. (105%) of the Average Closing Price;

(2) in the case of an Off-Market Purchase: 120 per cent. (120%) of the Highest Last Dealt Price, where:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**Prescribed Limit**" means ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Law, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time); and

(iii) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or any of them may consider expedient, necessary, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution. **[See Explanatory Note (vi)]** **(Resolution 8)**

9. To transact any other business that may properly be transacted at an Annual General Meeting.

By Order of the Board

Ng Joo Khin/Tsang Hung Leung, Alan
Joint Company Secretaries

Singapore, 11 April 2013

NOTICE OF THE ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes:

(i) **Resolution 2**: This is to facilitate payment of Directors' Fees during the financial year in which the fees are incurred. The aggregate amount of Directors' Fees provided in the resolution is calculated on the assumption that all the present Directors of the Company will hold office for the whole of the financial year ending 31 December 2013 ("**FY 2013**"). Should any Director hold office for only part of FY 2013 and not the whole of FY 2013, the Director's fee payable to him will be appropriately pro-rated.

(ii) **Resolution 3**: Pursuant to Article 86 of the Company's Articles of Association, Mr. Chia Seng Hee, Jack will retire at the forthcoming Annual General Meeting and shall be eligible to offer himself for re-election at that meeting.

Details on Mr. Chia Seng Hee, Jack are as follows:

Mr. Chia Seng Hee, Jack, 52
Non-Executive and Independent Director

Date of first appointment as a director: 28 March 2008
Date of last re-election as a director: 27 April 2010
Length of service as a director (as at 31 December 2012): Approximately 4 years 9 months

Board committees served on:

- Audit Committee (Member)
- Nominating Committee (Chairman)
- Remuneration Committee (Chairman)

Academic and professional qualifications:

- Certified Public Accountant
- Degree in Accountancy, the National University of Singapore
- Masters of Arts degree in International Relations, the International University of Japan
- General Manager Program, Harvard Business School

Present directorships (as at 31 December 2012):

Listed companies
- China Hongcheng International Holdings Limited (Chairman, Nominating and Remuneration Committees)
- Sunray Holdings Limited (Chairman, Nominating Committee)
- Shanghai Turbo Enterprises Limited (Chairman, Audit Committee)
- Dukang Distillers Holdings Limited (Chairman, Nominating and Remuneration Committees)

Others
- Jack Capital Solutions Pte Ltd
- Wealth Partners Singapore Pte Ltd
- Singapore Capital Partners Pte Ltd
- Legami Pte Ltd

Past directorships held over the preceding three years (from 1 January 2009 to 31 December 2012):

- E Frontier Global Pte Ltd
- E Frontier Singapore Pte Ltd

Other principal commitments, other than directorships:

Current
Nil.

Past
- Previously Senior Director, International Enterprise Singapore (the former Trade Development Board) (June 2002)
- Previously Chief Marketing Officer, Industrial Parks Business, Singapore Technologies/SembCorp
- Previously General Manager, Tokyo Branch, Japan Direct Investments, a unit of Government of Singapore Investment Corporation
- Previously Senior Consultant, Arthur Andersen/Andersen Consulting

Relationships, including immediate family relationships, between Mr. Chia Seng Hee, Jack and the Directors of the Company, the Company or its 10% shareholders:

Nil.

Shareholding in the Company and its related corporations:

Nil.

(iii) Resolution 4: Pursuant to Article 86 of the Company's Articles of Association, Mr. Ning Li will retire at the forthcoming Annual General Meeting and shall be eligible to offer himself for re-election at that meeting.

Details on Mr. Ning Li are as follows:

Mr. Ning Li, 49
Non-Executive and Independent Director

Date of first appointment as a director: 8 May 2009
Date of last re-election as a director: 27 April 2010
Length of service as a director (as at 31 December 2012): Approximately 3 years 8 months

Board committees served on:

- Audit Committee (Member)
- Nominating Committee (Member)
- Remuneration Committee (Member)

Academic and professional qualifications:

- Bachelor of Law degree, University of Political Science and Law, PRC
- Master of Law, University of International Business and Economics, PRC

Present directorships (as at 31 December 2012):

Listed companies
Nil.

Others
- Jade Group (China) Ltd.
- Vanguard Express Co., Ltd
- Beijing Liantuo Environment and Energy Resources Investment Co., Ltd
- China Art International Travel Agency

Past directorships held over the preceding three years (from 1 January 2009 to 31 December 2012):

Nil.

Other principal commitments, other than directorships:

Current
Nil.

Past
- Previously a lawyer in Beijing Chaoyang Law Firm, before moving on to establish his own practice, Beijing Tianda Law Firm

Relationships, including immediate family relationships, between Mr. Ning Li and the Directors of the Company, the Company or its 10% shareholders:

Nil.

Shareholding in the Company and its related corporations:

Nil.

(iv) Resolution 6: If passed, this resolution will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding in total 50% of the issued share capital of the Company (excluding treasury shares), of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company (excluding treasury shares) at the time this resolution is passed, after adjusting for:-

(a) new shares arising from the conversion or exercise of any convertible securities

(b) new shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of shares.

(v) Resolution 7: If passed, the aggregate number of shares to be issued under the Combine Will Employee Share Option Scheme shall not exceed 15% per cent of the total issued ordinary share capital (excluding treasury shares) of the Company from time to time.

(vi) Resolution 8: If passed, this resolution authorises the Directors of the Company to purchase Shares by way of Market Purchases and/or Off-Market Purchases according to prescribed rules and regulations governed by the Companies Law and/or the Listing Manual of the SGX-ST. Further details are set out in the Appendix enclosed together with the Annual Report.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote on his behalf and where a member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the Member Proxy Form. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the holding of the Annual General Meeting.

2. If a member is unable to attend the Annual General Meeting and wishes to appoint a proxy to attend and vote at the Annual General Meeting in his stead, then he should complete and sign the relevant Member Proxy Form and deposit the duly completed Member Proxy Form at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not later than 48 hours before the time set for the holding of the Annual General Meeting.

3. A Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act (Chapter 50) of Singapore) as at a time not earlier than 48 hours prior to the time of the Annual General Meeting who/which is (i) an individual but is unable to attend the Annual General Meeting personally and wishes to appoint a nominee to attend and vote; or (ii) a corporation, must complete, sign and return the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, at least forty-eight (48) hours before the time of the Annual General Meeting.

4. If a member who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members of the Company is unable to attend the Annual General Meeting and wishes to appoint a proxy, he should use the Depositor Proxy Form and the Member Proxy Form for, respectively, the Shares entered against his name in the Depository Register and the Shares registered in his name in the Register of Members of the Company.

5. A Depositor who is an individual and whose name is shown in the Depository Register as at a time not earlier than 48 hours prior to the time of the Annual General Meeting and who wishes to attend the Annual General Meeting in person need not take any further action and can attend and vote at the Annual General Meeting as CDP's proxy without the lodgment of any proxy form.

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COMBINE WILL

Combine Will International Holdings Limited
聯志國際控股有限公司

Incorporated in the Cayman Islands on 8 October 2007
(Company Registration No. MC-196613)